

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
RENO COUNTY, KANSAS**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

**RELATED TO THE AUDIT FOR THE  
YEAR ENDED JUNE 30, 2015**



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To the Board of Education  
Unified School District No. 308  
Hutchinson, KS 67501

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Unified School District No. 308, Hutchinson KS (District), for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimates of the compensated absences relating to sick and vacation leave, early retirement benefits, the liability related to other post-employment benefits, and the liability related to pension are based on District's payroll records and actuary reports. We evaluated the key factors and assumptions used to develop these estimates to determine that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material adjustments to post to the regulatory basis financial records. The adjustments that convert the regulatory basis financials to the modified-accrual basis and the accrual basis of accounting are numerous and material to the financial statements. The District does not post those adjustments to the internal books because the internal books are maintained on the regulatory basis of accounting. However, the District takes full responsibility for the adjustments to convert these regulatory basis financials to generally accepted accounting principles.

*Disagreements with Management*

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 20, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the other post employment benefits schedule, the pension schedules, and the schedule of revenues, expenditures, and changes in fund balances – budget and actual – major funds, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor fund financial statements, individual fund budgetary comparison schedules, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Communication of Other Control Deficiencies**

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unified School District No. 308, Hutchinson, KS as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **CURRENT YEAR OTHER DEFICIENCIES**

Condition: The December 26, 2014, issue of the New Uniform Guidance related to federal expenditures has brought about many changes with regard to documenting internal controls. The guidance requires policies and procedures to be documented in writing across all federal expenditures.

Recommendation: Currently, the District has many of these policies and procedures in writing specific to the Head Start program. We recommend that the District review the Green Book internal control framework in conjunction with what they have documented with regard to Head Start, and apply to the District as a whole. The District has already started this process and should be ready by the next audit year, when the New Uniform Guidance becomes applicable.

**PRIOR YEAR OTHER DEFICIENCIES**

**BUSINESS OFFICE TRAINING**

- Condition: The 2011 revision to *Government Auditing Standards* (the 2011 Yellow Book) issued by the Government Accountability Office (GAO) brought about several changes in the standards that governments and auditors are to follow. The changes were to facilitate moving a step closer to prohibiting auditors from drafting/preparing the external financial statements. Financial statement preparation is no longer allowed to be part of the audit itself, but is instead now considered a nonaudit service. This means that auditors are now required to assess and document independence considerations with regard to financial statement preparation, including assessing whether or not the government has a person on staff that can take full responsibility for and understand the financial statements. Under the 2011 revision, this staff person does not yet have to have the technical ability to prepare the financial statements, but does have to have the skill, knowledge and experience to ensure there is not a material misstatement contained in the financial statements or notes to the financial statements.
- Recommendation: Based on our professional opinion, the District does have on staff the personnel to take full responsibility for and understand the financial statements. However, based on discussions with District personnel, we would recommend that the District accountant continue to work on developing the technical expertise to prepare the external financial statements. This could involve training provided by the Government Financial Offices of America (GFOA), other outside agencies, and/or training provided by our firm.
- Status: The District has begun process of training. Due to the complicated nature of the financial statement preparation process, we continue to recommend training.

**SUMMARY**

The matters discussed herein were considered during the examination of the financial statements as of June 30, 2015, and they do not modify the opinion expressed in our auditor's report dated November 20, 2015, on such financial statements.

We look forward to assisting the District in implementing the above suggestions. If you have any questions regarding comments included in this letter, please contact D. Scot Loyd at (620) 241-1826 or Christina Henson at (620) 662-3358.

We greatly appreciate the assistance and helpfulness provided by the District staff during the recent audit. It is a pleasure working with individuals who respond to our questions and requests in a quick and efficient manner. Our thanks to each employee involved with the audit process.

Board of Education  
Unified School District No. 308  
Hutchinson, KS  
November 20, 2015  
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**RESTRICTION ON USE**

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Swindoll, Janzen, Hawk & Loyd, LLC*

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SWINDOLL, JANZEN, HAWK & LOYD, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
HUTCHINSON, KS

November 20, 2015

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**Hutchinson Public Schools  
Unified School District No. 308**

**June 30, 2015**

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**Hutchinson Public Schools  
Unified School District No. 308**

**June 30, 2015**

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**Hutchinson Public Schools  
Unified School District No. 308**

**June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 308  
Hutchinson, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unified School District No. 308, Hutchinson, Kansas (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits, pension plan information, and budgetary comparison information on pages 4-14 and 60-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Balance Sheet – General Fund, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund, Combining Balance Sheet – Nonmajor Governmental Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds, Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Funds, Combining Statement of Assets and Liabilities – Agency Funds, Combining Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Agency Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Combining Balance Sheet – General Fund, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund, Combining Balance Sheet – Nonmajor Governmental Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds, Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Funds, Combining Statement of Assets and Liabilities – Agency Funds, Combining Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Agency Funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk & Loyd, LLC

November 20, 2015

***HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308***

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

It is a privilege to present to you the financial picture of the Hutchinson Public Schools, Unified School District No. 308 (District). This discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. Readers desiring additional information on the Hutchinson Recreation Commission should contact the District and request the separately issued report.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

The trends of prior years indicated that during the fiscal year 2014-2015, the Hutchinson Public Schools would experience another year of increases in the costs for utilities and salaries/benefits. The District provided an average increase of 1.63% movement on the salary schedule as well as horizontal movement. The District base state aid per pupil (BSAPP) increased to \$3,852 during FY 14.15 set by the State of Kansas. The District had a decrease in weighted enrollment from the prior year of 59.6 FTE which decreased the budget authority over the prior year by \$107,094. The decrease in weighted enrollment largely was due to a 15.3 FTE enrollment decrease and at-risk weighting decreases. The State of Kansas no longer funds part time at-risk students. The Supplemental General Fund percent authority was 28.55% of the FY 14.15 legal maximum budget. The overall mill levy was lower by 8.097 mills because of a levy decrease in the supplemental general fund budget. At the time of budget filing, the State of Kansas equalized fully their portion of the state aid which lowers the taxpayer responsibility. At the end of the fiscal year, the state didn't pay the full amount of this state aid and the District covered this loss with cash balances.

This is the first year for the District to include GASB 68 net pension liability which caused the overall financial position to drop since last year (see Table 1). Net position decreased \$44,166,511 which is due in large part to the net effect of adding the net pension liability to the financials.

**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a whole. The basic financial statements include two types of statements that present different views of the District. The first are the District-wide financial statements and the second are the fund financial statements.

**District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two district-wide statements report the District's *net positions* and how these have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and other facilities must be taken into account.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* : All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities* : The District does not have any business-type activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

The District has three kinds of funds:

Governmental funds : Most of the District's basic services are included in governmental funds, which generally focus on the following: (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliations have been provided with the governmental funds statements to explain the relationship (or differences) between them.

Proprietary funds: The District's proprietary fund is an internal service fund that reports the District's risk financing activities. The District's internal service fund includes the Health Care Fund.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.



**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

**Financial Analysis of the District as a Whole**

**Table 1**  
**Net Position**  
**Governmental Activities**  
**As of June 30**

	6/30/2014	6/30/2015	Changes Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 36,548,507	\$ 38,660,157	\$ 2,111,650
Capital assets	79,687,986	79,940,074	252,088
Total assets	<u>116,236,493</u>	<u>118,600,231</u>	<u>2,363,738</u>
Deferred outflows of resources			
Deferred change on refunding	2,161,943	5,800,586	3,638,643
Total deferred outflows of resources			
<b>Liabilities</b>			
Current and other liabilities	4,351,427	5,424,065	1,072,638
Long term liabilities:			
Due within one year	3,670,929	4,260,302	589,373
Due in more than one year	77,055,088	119,810,818	42,755,730
Total liabilities	<u>85,077,444</u>	<u>129,495,185</u>	<u>44,417,741</u>
Deferred inflows of resources			
Differences between expected and actual experience	-	1,056,408	1,056,408
Net difference between projected & actual earnings on pension plan investment	-	5,609,798	5,609,798
Changes in proportionated share of contributions	-	504,907	504,907
Total deferred inflows of resources	<u>-</u>	<u>6,871,113</u>	<u>6,871,113</u>
<b>Net position</b>			
Net investment in capital assets	3,776,967	5,818,613	2,041,646
Restricted:			
Instruction and support services	3,226,427	4,029,216	802,789
Facilities and capital projects	6,166,961	6,273,611	106,650
Debt service	3,596,676	4,014,859	418,183
Self-insurance medical claims	5,026,356	5,689,555	663,199
Special Education	4,517,581	4,577,913	60,332
Nutrition Services	1,264,541	1,476,844	212,303
Federal grant programs	328,200	160,651	(167,549)
Unrestricted	<u>5,417,283</u>	<u>(44,006,743)</u>	<u>(49,424,026)</u>
Total net position	<u>\$ 33,320,992</u>	<u>\$ (11,965,481)</u>	<u>\$ (45,286,473)</u>

**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

Table 2 below shows condensed revenues, expenses and changes in net position for fiscal years 2014 and 2015.

**Table 2**  
**Fiscal Years ended June 30**  
**Governmental Activities**  
**Changes in Net Position**

	6/30/2014	6/30/2015	Changes Increase (Decrease)
Program revenues:			
Charges for services	\$ 2,541,028	\$ 2,956,740	\$ 415,712
Operating grants/contributions	8,088,878	8,334,822	245,944
General revenues:			
Property taxes	12,545,467	7,514,013	(5,031,454)
State aid not restricted to specific purposes	37,947,733	42,904,559	4,956,826
Investment earnings	2,994	4,735	1,741
Total revenues	<u>61,126,100</u>	<u>61,714,869</u>	<u>588,769</u>
Program expenses:			
Instruction	34,952,559	36,641,468	1,688,909
Student support services	3,334,909	3,393,013	58,104
Instructional support services	2,449,345	2,195,740	(253,605)
General administration	788,015	797,842	9,827
School administration	2,723,450	2,532,804	(190,646)
Operations and maintenance	5,675,196	5,659,112	(16,084)
Student transportation services	993,739	1,067,073	73,334
Other support services	1,770,029	1,932,682	162,653
Food service operations	2,513,730	2,683,980	170,250
Community service operations	148,273	171,073	22,800
Interest on long-term debt	3,370,066	3,235,696	(134,370)
Total expenses	<u>58,719,311</u>	<u>60,310,483</u>	<u>1,591,172</u>
Increase in net assets	2,406,789	1,404,386	(1,002,403)
Net assets - beginning	30,914,203	33,320,992	2,406,789
Prior Period adjustment	<u>-</u>	<u>(46,690,859)</u>	<u>(46,690,859)</u>
Net assets - ending	<u>\$ 33,320,992</u>	<u>\$ (11,965,481)</u>	<u>\$ (45,286,473)</u>

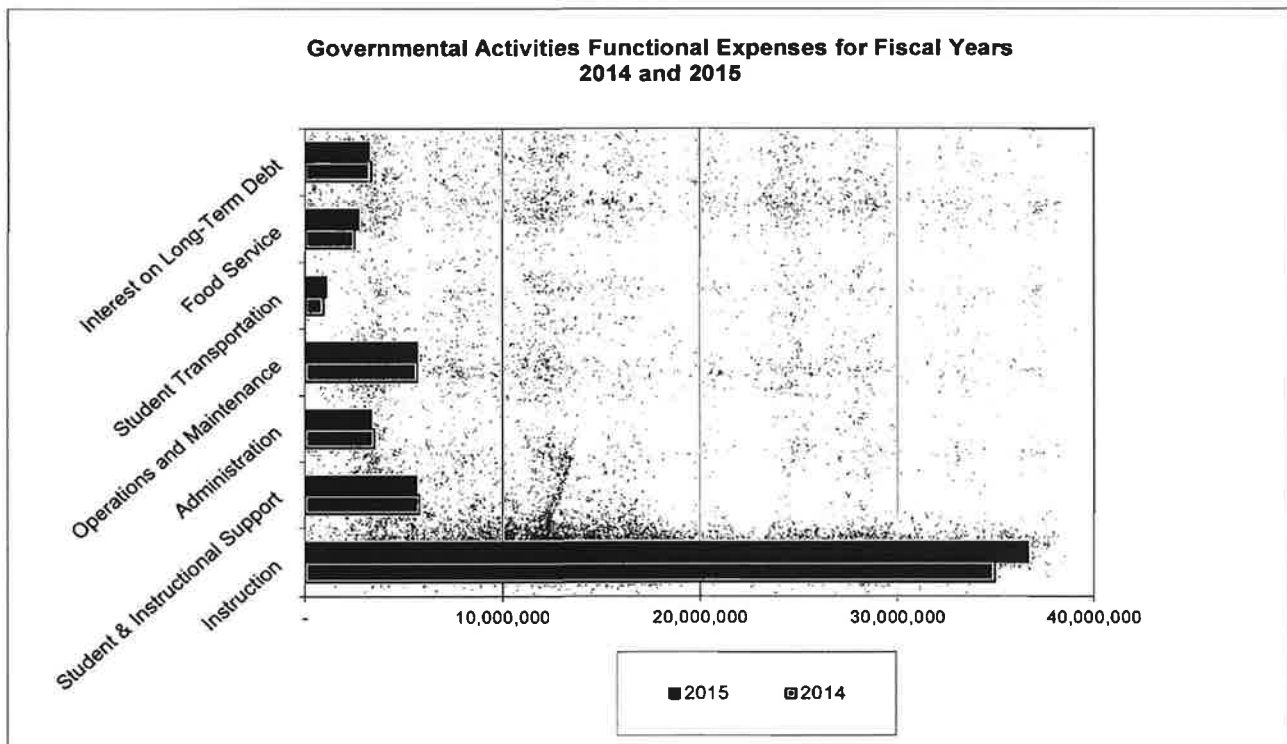
**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308**

The most significant changes from the preceding year include:

- The reduction of local property taxes and the increase of state aid. The State of Kansas paid more of their share of the equalization obligation which caused the local taxes to drop back down to where they should be. In the end the state did not pay the full amount of this equalization aid.
- The charges for services and operating grant/contributions are up slightly due to the sale of two building trades' homes selling in the same year.

Total expense increased by \$1,591,172 for FY 14.15. Major expense changes compared to 2014 are as follows:

- Instruction expenses have an increase of \$1,688,909. This was due to salary and benefit increases.
- Instructional support services decreased mostly because of one less media center staff position and fewer equipment purchases.
- General and school administration is down in large part due to fewer contracted services
- Operations and maintenance expenses are down just slightly. District utility costs were down with property and liability expense up. This area also had one less custodian.



**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

**The School District's Funds**

At June 30, 2015, the District governmental funds reported a combined fund balance of \$29,114,241 which is an increase of \$823,250 from 2014. The General fund reduction is due to spending down some cash reserves. The other governmental funds are up due to increased revenue from the sale of two vocational homes in one fiscal year. Capital outlay and bond and interest funds are higher due to planning for future projects and larger future bond debt payments.

**Table 3**  
**Fiscal Years ended June 30**  
**Governmental Fund Balances**  
**As of June 30 Year End**

Governmental Funds	FY 2014	FY 2015	Changes Increase (Decrease)
General	\$ 7,259,587	\$ 6,965,553	\$ (294,034)
Special Education	4,517,581	4,577,913	60,332
At Risk K-12	756,831	897,586	140,755
Other Governmental	4,873,392	5,309,417	436,025
Subtotal Operating Fund Balances	17,407,391	17,750,469	343,078
Capital Outlay	6,166,962	6,273,611	106,649
Bond & Interest	4,716,638	5,090,161	373,523
Total Governmental Fund Balances	<u>\$ 28,290,991</u>	<u>\$ 29,114,241</u>	<u>\$ 823,250</u>

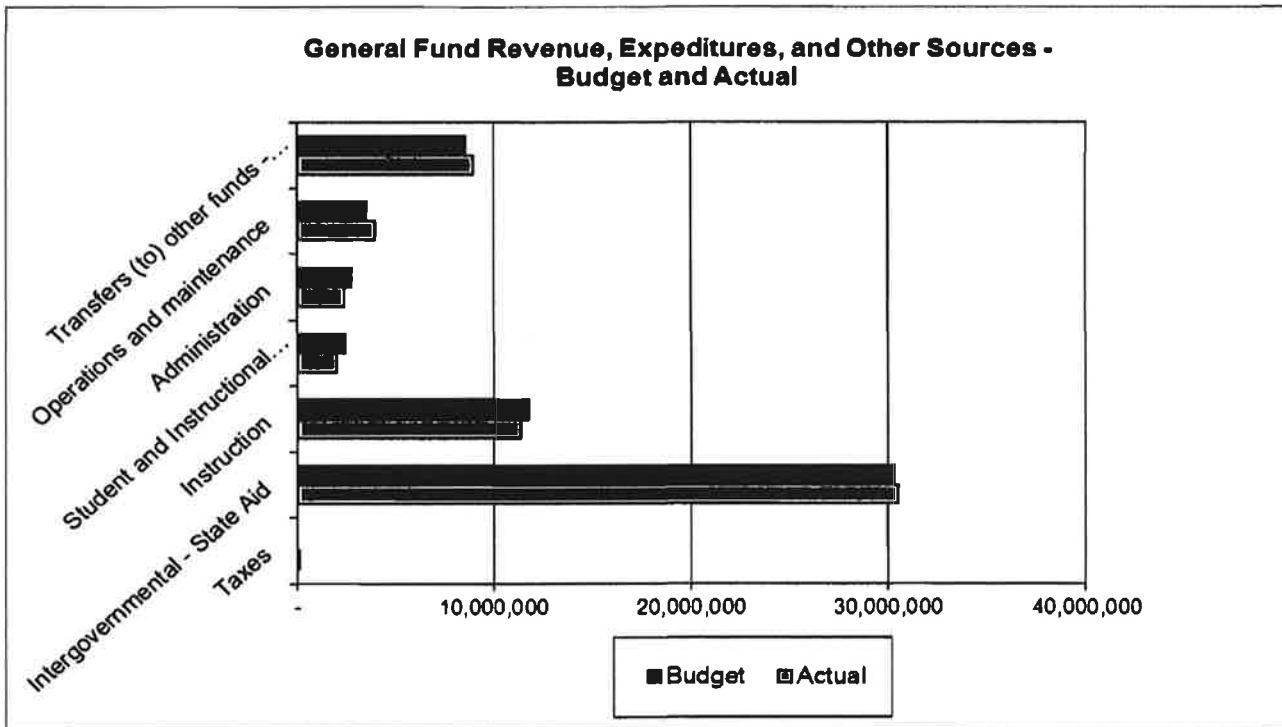
**General Fund Budgeting Highlights**

The School District's budget is prepared according to Kansas State Statutes and is based on the statutory basis of accounting, modified further by the encumbrance method of accounting. The most significant budgeted fund is the General Fund.

Kansas Statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may amend the amount of a specific object or purpose appropriation without obtaining authorization from the Board of Education, providing the amendments or transfers do not create a total budgeted expenditure amount for a specific fund in excess of the amount originally adopted by the Board of Education.

There was a significant change to how the general fund local property taxes are paid to the District during FY 14.15. The local property taxes were sent to the state by the county and returned to the District as state aid. This result shows no property taxes coming in for FY 14.15 and higher state aid; however the revenue result basically had a zero net effect.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308**



For the General fund, the final approved expenditure budget was \$30,896,723 representing a \$317,207 loss from the published adopted budget of \$31,213,930. The District is allowed to overspend the legal maximum budget by the amount of reimbursements. Yearly the District budgets for expected enrollment adjustments within the budget. This dollar amount is reported as part of instructional costs. The actual expenditures reflect how the final enrollment audit amount was spent. These dollars are spent on instruction costs, but may be shown as a transfer to a special revenue fund. Some of these differences were due to increases to student full-time equivalent enrollments, vocational, bilingual and free/reduced lunch weightings. The increased state aid due to weighting increases was the direct result of the transfers exceeding the budgeted amount. The School District's ending unobligated cash balance in the General Fund was \$11,437 above the final budgeted amount due to cancelled prior year encumbrances.

#### **Supplemental General Fund**

The Supplemental General fund for fiscal year 2014-2015 was limited by state statute to 31% of the General fund. The District used 28.55% of this authority. The Supplemental General fund is used to cover utility costs, indigent textbooks and periodical costs, technology costs and activities. Most of the transfers to the special funds run through this fund, which was increased over the prior year.

#### **Special Education Fund**

Special education expenditures increased by \$46,478 in fiscal year ending June 30, 2015, primarily due to increases in contracted services, salaries/benefits and transportation. The number of special education students served in the 2014-2015 fiscal year remained the same as the previous year.

**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

**State At-Risk (K-12)**

The funds generated for this fund are based on students who qualify for free lunches. Due to the economy, that number has increased. The students served with these funds are considered at-risk and need additional instruction services to reduce the achievement gap. With the creation of this fund, any expenditure the District had previously reported in the general fund for at risk expenditures must now be reported in this fund.

**Capital Outlay Fund**

The Capital Outlay fund is used for the purpose of acquisition, construction, repair, remodeling, additions to, furnishing, and equipment needs of the District. FY 11.12 was the first year on the current capital outlay levy authority which provides authority to levy up to 4 mills in this fund. The levy was through FY 15.16. During FY 14.15 the District ran a new capital outlay levy which under new Kansas guidelines allows the District to have a continuous and permanent eight (8) mills levy. The new guidelines allow for salaries of custodial and maintenance staff, software and band uniforms to be purchased with capital outlay funds.

**Bond and Interest Fund (Debt Service)**

This fund is used to make principal and interest payments on the long-term debt obligations of the District authorized by the 2006 bond election. The expenditures in the Bond and Interest (Debt Service) Fund increased over prior year due to an increase in the debt payments.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the fiscal 2014 and 2015 years, the District had a net investment of \$79.6 million and \$79.9 million respectively invested in land, buildings, vehicles, artwork and equipment.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308**

**Table 4  
Fiscal Years ended June 30  
Governmental Activities  
Capital Assets Net of Depreciation**

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Changes Increase (Decrease)</u>
Land	\$ 1,938,440	1,938,440	-
Land Improvements	1,433,470	1,634,952	201,482
Buildings	92,368,011	93,387,037	1,019,026
Equipment	5,692,442	6,271,088	578,646
Capitalized Leased Equipment	2,196,610	3,287,769	1,091,159
Vehicles	1,829,049	1,793,173	(35,876)
Artwork	241,785	241,785	-
Accumulated Depreciation	<u>(26,011,821)</u>	<u>(28,614,170)</u>	<u>(2,602,349)</u>
Total Capital Assets - Net of Depreciation	<u>\$ 79,687,986</u>	<u>\$ 79,940,074</u>	<u>\$ 252,088</u>

**Debt**

At June 30, 2015 the District had \$72,615,000 in general obligation bonds outstanding. There is \$6,043,113 of principal and interest due within one year. Table 5 summarizes bonds outstanding.

**Table 5  
Governmental Activities  
Outstanding Debt, at End of Year**

<u>Governmental Funds</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Changes Increase (Decrease)</u>
2007A Issue 2012	\$ 49,370,000	\$ 37,950,000	\$ (11,420,000)
Refunding 2012	7,935,000	7,935,000	-
Refunding 2013	8,920,000	8,920,000	-
Refunding 2014	9,190,000	9,190,000	-
Refunding 2015	-	8,620,000	8,620,000
Total	<u>\$ 75,415,000</u>	<u>\$ 72,615,000</u>	<u>\$ (2,800,000)</u>

**HUTCHINSON PUBLIC SCHOOLS**  
**UNIFIED SCHOOL DISTRICT NO. 308**

The 2007A issue runs through September 2027. The 2012 Refunding Bond runs through September 2025. The 2013 Refunding Bond runs through September 2024. The 2014 Refunding Bond runs through September 2022. The 2015 Refunding Bond runs through September 2023. The District's Moody rating is Aa3 .

For more information on the District's capital assets and debt administration, please refer to the footnotes in the financial statements. (See notes IE4, IE7, IIIB and IIIC)

The Hutchinson Public School District has committed itself to financial excellence for many years. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 2005.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If the reader has questions about the report or needs additional financial information the contact information is as follows:

Business Office Web Page:

<http://www.usd308.com/DistrictServices/businessoffice/Pages/default.aspx>

Business Office E-Mail: [blakesleyl@usd308.com](mailto:blakesleyl@usd308.com)

Write the Business Office:

Unified School District #308, Reno County  
Attention: Lori Blakesley  
1520 N. Plum, P.O. Box 1908  
Hutchinson, KS 67504-1908

Contact Business Office by Phone:

Lori Blakesley, Ex. Director Fiscal Management & Business Operations (620) 615-4040  
Cindy Hughes, District Accountant (620) 615-4046  
Business Office Fax (620) 615-4041



## **BASIC FINANCIAL STATEMENTS**

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Net Position  
June 30, 2015**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 35,960,009
Receivables:	
Federal aid	117,335
State aid	2,400,485
Inventories	182,328
Capital assets:	
Nondepreciable - land, construction in progress, other	2,180,225
Other capital assets, net of accumulated depreciation	<u>77,759,849</u>
Total assets	<u>118,600,231</u>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	2,526,954
Pension contributions subsequent to the measurement date	<u>3,273,632</u>
Total deferred outflows of resources	<u>5,800,586</u>
<b>Liabilities</b>	
Accounts payable	973,320
Accrued payroll	2,561,619
Pension contributions payable	491,685
Medical claims payable	321,422
Accrued interest payable	1,076,019
Long-term liabilities:	
Due within one year	4,260,302
Due in more than one year	<u>119,810,818</u>
Total liabilities	<u>129,495,185</u>
<b>Deferred inflows of resources</b>	
Differences between expected and actual experience	1,056,408
Net difference between projected & actual earnings on pension plan investment	5,309,798
Changes in proportionate share of contributions	<u>504,907</u>
Total deferred inflows of resources	<u>6,871,113</u>
<b>Net position</b>	
Net investment in capital assets	5,818,613
Restricted for:	
Instruction and support services	4,029,216
Facilities and capital projects	6,273,611
Debt service	4,014,859
Self-insurance medical claims	5,689,555
Special education	4,577,913
Nutrition services	1,476,844
Federal grant programs	160,651
Unrestricted	<u>(39,991,884)</u>
Total net position	<u>\$ (11,965,481)</u>

The accompanying notes are an integral part of these financial statements.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Activities  
For the Year Ended June 30, 2015**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction	\$ 36,641,468	\$ 2,202,701	\$ 4,279,941	\$ -	\$ (30,158,826)
Student support services	3,393,013	39,088	782,674	-	(2,571,251)
Instructional support services	2,195,740	-	599,595	-	(1,596,145)
General administration	797,842	-	73,936	-	(723,906)
School administration	2,532,804	-	-	-	(2,532,804)
Operations and maintenance	5,659,112	-	149,759	-	(5,509,353)
Student transportation services	1,067,073	-	161,280	-	(905,793)
Other support services	1,932,682	-	4,913	-	(1,927,769)
Food service operations	2,683,980	597,782	2,210,539	-	124,341
Community service operations	171,073	117,169	72,185	-	18,281
Interest on long-term debt	3,235,696	-	-	-	(3,235,696)
Total Primary Government	<u>\$ 60,310,483</u>	<u>\$ 2,956,740</u>	<u>\$ 8,334,822</u>	<u>\$ -</u>	<u>(49,018,921)</u>
General Revenues:					
Property taxes levied for:					
General purposes					3,326,136
Debt service					3,310,972
Capital outlay					876,905
State aid not restricted to specific purposes					42,904,559
Earnings on investments					<u>4,735</u>
Total general revenues					<u>50,423,307</u>
Change in net position					1,404,386
Net position, beginning					33,320,992
Prior period adjustment					<u>(46,690,859)</u>
Net position, ending					<u>\$ (11,965,481)</u>

The accompanying notes are an integral part of these financial statements.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	General	Special Education	Capital Outlay	At Risk K-12	Bond & Interest	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 6,760,642	\$ 5,081,530	\$ 6,275,031	\$ 1,487,875	\$ 5,090,161	\$ 5,566,755	\$ 30,261,994
Due from other funds	-	-	-	-	-	-	-
<b>Receivables:</b>							
Federal aid	-	-	-	-	-	117,335	117,335
State aid	2,400,485	-	-	-	-	-	2,400,485
Inventories	61,529	-	-	-	-	120,799	182,328
<b>Total assets</b>	<b>\$ 9,222,656</b>	<b>\$ 5,081,530</b>	<b>\$ 6,275,031</b>	<b>\$ 1,487,875</b>	<b>\$ 5,090,161</b>	<b>\$ 5,804,889</b>	<b>\$ 32,962,142</b>
<b>Liabilities:</b>							
Accounts payable	\$ 814,120	\$ -	\$ 1,420	\$ 106,436	\$ -	\$ 51,344	\$ 973,320
Due to other funds	-	-	-	-	-	-	-
Accrued payroll	1,442,983	503,617	-	483,853	-	444,128	2,874,581
<b>Total liabilities</b>	<b>2,257,103</b>	<b>503,617</b>	<b>1,420</b>	<b>590,289</b>	<b>-</b>	<b>495,472</b>	<b>3,847,901</b>
<b>Fund balances:</b>							
Nonspendable	61,529	-	-	-	-	120,799	182,328
Restricted	-	4,577,913	6,273,611	897,586	5,090,161	4,769,125	21,608,396
Committed	1,845,906	-	-	-	-	419,493	2,265,399
Assigned	768,612	-	-	-	-	-	768,612
Unassigned	4,289,506	-	-	-	-	-	4,289,506
<b>Total fund balances</b>	<b>6,965,553</b>	<b>4,577,913</b>	<b>6,273,611</b>	<b>897,586</b>	<b>5,090,161</b>	<b>5,309,417</b>	<b>29,114,241</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,222,656</b>	<b>\$ 5,081,530</b>	<b>\$ 6,275,031</b>	<b>\$ 1,487,875</b>	<b>\$ 5,090,161</b>	<b>\$ 5,804,889</b>	<b>\$ 32,962,142</b>

The accompanying notes are an integral part of these financial statements

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2015**

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total fund balance - governmental funds</b>		<b>\$ 29,114,241</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	\$ 108,554,244	
Accumulated depreciation	<u>(28,614,170)</u>	
		79,940,074
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences payable	(694,070)	
Accrued interest payable	(1,076,019)	
General obligation bonds payable	(72,615,000)	
Premium on bond payable	(3,218,175)	
Deferred refunding on bonds payable	2,526,954	
Capital lease obligations payable	(815,240)	
Early retirement payable	(848,403)	
Pensions contributions payable	(491,685)	
Net pension liability	(44,600,232)	
Post employment health care liability	<u>(1,280,000)</u>	
		(123,111,870)
Internal service funds are used by management to charge the costs of the certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		5,689,555
Pension related deferred outflows and inflows of resources are not financial resources or due and payable in the current period and, therefore, are not reported in the funds.		
Contributions subsequent to the measurement date	3,273,632	
Differences between expected and actual experience	(1,056,408)	
Net difference between projected & actual earnings on pension plan investment	(5,309,798)	
Changes in proportionate share of contributions	<u>(504,907)</u>	
		<u>(3,597,481)</u>
<b>Total net position - governmental activities</b>		<b>\$ (11,965,481)</b>

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015**

	General	Special Education	Capital Outlay	At Risk K-12	Bond & Interest	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	\$ 3,326,136	\$ -	\$ 876,905	\$ -	\$ 3,310,972	\$ -	\$ 7,514,013
State aid	22,844,718	6,376,844	287,216	4,897,335	2,937,451	5,560,995	42,904,559
Federal aid	8,099	1,197,532	-	-	-	6,612,146	7,817,777
Medicaid aid	-	392,278	-	-	-	-	392,278
Charges for services	222,852	-	-	-	-	1,753,762	1,976,614
Earnings on investments	-	-	3,950	-	-	785	4,735
Other revenue	112,098	26,974	257,891	-	-	662,538	1,059,501
Contributions	-	-	-	-	-	45,392	45,392
<b>Total revenues</b>	<b>26,513,903</b>	<b>7,993,628</b>	<b>1,425,962</b>	<b>4,897,335</b>	<b>6,248,423</b>	<b>14,635,618</b>	<b>61,714,869</b>
<b>Expenditures:</b>							
Current:							
Instruction	15,464,183	5,786,643	(4,094)	4,397,995	-	8,734,065	34,378,792
Student support services	1,079,470	1,167,944	-	115,911	-	1,030,247	3,393,572
Instructional support services	1,308,952	48,716	-	97,472	-	692,817	2,147,957
General administration	416,638	348,288	-	-	-	32,138	797,064
School administration	2,184,797	-	-	-	-	352,450	2,537,247
Operations and maintenance	5,202,206	-	25,529	-	-	548,935	5,776,670
Student transportation services	424,065	566,555	-	-	-	73,363	1,063,983
Other support services	1,849,714	15,150	1,904	-	-	74,153	1,940,921
Food service operations	19,499	-	-	-	-	2,572,207	2,591,706
Community service operations	170,792	-	-	-	-	350	171,142
Architectural and engineering services	12,398	-	1,338,569	-	-	452	12,850
Facilities acquisition and construction	-	-	-	-	-	-	1,338,569
Debt service:							
Principal	-	-	-	-	2,600,000	-	2,600,000
Interest	-	-	-	-	3,274,900	-	3,274,900
Bond issue costs	-	-	-	-	144,241	-	144,241
<b>Total expenditures</b>	<b>28,132,714</b>	<b>7,933,296</b>	<b>1,361,908</b>	<b>4,611,378</b>	<b>6,019,141</b>	<b>14,111,177</b>	<b>62,169,614</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,618,811)</b>	<b>60,332</b>	<b>64,054</b>	<b>285,957</b>	<b>229,282</b>	<b>524,441</b>	<b>(454,745)</b>
<b>Other financing sources (uses):</b>							
Transfers in	380,211	-	-	-	-	-	380,211
Transfers out	(146,593)	-	-	(145,202)	-	(88,416)	(380,211)
Capital lease financing	1,091,159	-	-	-	-	-	1,091,159
Sale of general capital assets	-	-	42,595	-	-	-	42,595
Refunding bonds issued	-	-	-	-	8,620,000	-	8,620,000
Premium refunding bonds issued	-	-	-	-	1,013,698	-	1,013,698
Payment to refunded bond escrows agent	-	-	-	-	(9,489,457)	-	(9,489,457)
<b>Total other financing sources (uses)</b>	<b>1,324,777</b>	<b>-</b>	<b>42,595</b>	<b>(145,202)</b>	<b>144,241</b>	<b>(88,416)</b>	<b>1,277,995</b>
<b>Net change in fund balance</b>	<b>(294,034)</b>	<b>60,332</b>	<b>106,649</b>	<b>140,755</b>	<b>373,523</b>	<b>436,025</b>	<b>823,250</b>
<b>Fund balance, beginning of year</b>	<b>7,259,587</b>	<b>4,517,581</b>	<b>6,166,962</b>	<b>756,831</b>	<b>4,716,638</b>	<b>4,873,392</b>	<b>28,290,991</b>
<b>Fund balance, end of year</b>	<b>\$ 6,965,553</b>	<b>\$ 4,577,913</b>	<b>\$ 6,273,611</b>	<b>\$ 897,586</b>	<b>\$ 5,090,161</b>	<b>\$ 5,309,417</b>	<b>\$ 29,114,241</b>

The accompanying notes are an integral part of these financial statements.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

**Net change in fund balances - total governmental funds** **\$ 823,250**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the amount of assets capitalized in the current period.

Capital outlay expense	\$ 1,166,354	
Depreciation expense	<u>(2,881,407)</u>	
Difference between capital outlay expense and depreciation expense		(1,715,053)

In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of capital assets sold less the related accumulated depreciation.

(939,213)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.

44,249

Deferred refunding on bonds payable decrease the current financial resources to governmental funds but do not decrease long-term liabilities in the statement of net position.

(448,687)

The amortization of bond premiums and discounts decreases the long-term liabilities in the statement of net position but does not provide current financial resources to the governmental funds.

366,662

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

General obligation bond payments	2,600,000	
Capital lease payments	<u>362,742</u>	
Total payments on long-term liabilities		2,962,742

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the following differences were noted:

Early retirement payable earned exceeded benefits paid	102,492	
Compensated absences earned exceeded benefits paid	<u>42,090</u>	
Total expenses		144,582

In the statement of activities, a liability is accrued for other post-employment benefits, whereas in governmental funds, the other post-employment benefits expenditure is reported when paid.

(314,000)

In the statement of activities, a liability is accrued for the net pension liability, whereas in governmental funds, the pension expenditure is reported when paid.

(183,345)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

663,199

**Change in net position of governmental activities**

**\$ 1,404,386**

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Net Position  
Proprietary Funds  
June 30, 2015**

	Internal Service Funds
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 5,698,015
Premiums receivable	<u>312,962</u>
Total current assets	<u>6,010,977</u>
<b>Liabilities:</b>	
Current liabilities:	
Medical claims payable	<u>321,422</u>
Total current liabilities	<u>321,422</u>
<b>Net position:</b>	
Total net position restricted for self-insurance claims	<u><u>\$ 5,689,555</u></u>



**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015**

	Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 4,015,744
<b>Operating expenses:</b>	
Contractual services	<u>3,353,394</u>
Operating income (loss)	662,350
<b>Nonoperating revenues:</b>	
Interest revenue	<u>849</u>
Change in net position	663,199
<b>Total net position - beginning of year</b>	<u>5,026,356</u>
<b>Total net position - end of year</b>	<u><u>\$ 5,689,555</u></u>

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015**

	Internal Service Funds
<b>Cash flows from operating activities:</b>	
Cash received from services	3,986,859
Cash payments for claims and administrative expenses	<u>(3,471,354)</u>
Net cash provided by operating activities	<u>515,505</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>849</u>
Net increase in cash and cash equivalents	516,354
Cash and cash equivalents - beginning of year	<u>5,181,661</u>
Cash and cash equivalents - end of year	<u>\$ 5,698,015</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 662,350
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in insurance receivable	(28,885)
Change in medical claims payable	<u>(117,960)</u>
Net cash provided by operating activities	<u>\$ 515,505</u>

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 83,922</u>
<b>Liabilities:</b>	
Accounts Payable	<u>\$ 83,922</u>

**Hutchinson Public Schools  
Unified School District No. 308**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

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**Hutchinson Public Schools  
Unified School District No. 308**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

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**Hutchinson Public Schools  
Unified School District No. 308**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Hutchinson Public Schools, Unified School District No. 308, (District) is organized under the laws of the State of Kansas (Kansas) and is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the District (the primary government) and its component units. There are no component units for which the District is considered to be financially accountable.

**B. Basis of Presentation - Government-wide Financial Statements**

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

The effect of interfund activity has been eliminated from the government-wide financial statements, unless immaterial.

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The primary revenue sources are taxes and state aid.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **C. Basis of Presentation - Fund Financial Statements (Cont.)**

Special Education Fund – This fund is used to account for programs that deliver educational services to special needs students. The primary revenues supporting this fund are from restricted federal grants and state aid restricted for this purpose.

Capital Outlay Fund – This fund accounts for the acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing, and equipping of District buildings. The primary revenue source is taxes restricted for this purpose.

Bond and Interest Fund – This fund accounts for the payment of principal and interest on the District's general obligation bonds. The primary revenue sources are taxes and state aid restricted for this purpose.

At Risk K-12 – This fund is used to account for programs for the District's population by providing educational opportunities and instructional services to assist in closing the achievement gap. The primary revenues supporting this fund are from state aid restricted for this purpose.

Additionally, the District reports the following fund types:

Internal Service Fund – This fund accounts for the District's self-insurance program provided to other departments or agencies of the government, on a cost reimbursement basis.

Fiduciary Funds – The District has three agency funds which are used to account for assets held by the District as an agent for others. The funds include assets held for the student activity funds, the Early Education Center – CACFP Fund, and for the Hutchinson Recreation Commission. They are custodial in nature and do not involve measurement of results of operations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the government and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Interfund services provided and used are not eliminated in the process of consolidation.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the budget year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and state aid are recorded at the time of receipt, or earlier if the criteria for accrual are met. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures in the financial statements are grouped by function. Following are descriptions of the District's functions.

*Student support services* – Activities designed to assess and improve the well-being of students and to supplement the teaching process.

*Instructional support services* – Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

*General administration* – Activities concerned with establishing and administering policy for operating the school district.



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **D. Measurement Focus and Basis of Accounting (Cont.)**

*School administration* – Activities concerned with overall administrative responsibility for a school.

*Operations and maintenance* – Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition.

*Student transportation services* – Activities concerned with conveying students to and from school, as provided by state and federal law.

*Other support services* – All other support services not classified elsewhere.

*Food services operations* – Activities concerned with providing food to students and staff in the school district.

*Community service operations* – Activities concerned with providing community services to students, staff, or other community participants.

*Architectural and engineering services* – The activities of architects and engineers related to acquiring and improving sites and buildings for those preliminary activities that may or may not result in additions to the school district's property.

*Facilities acquisition and construction service* – Activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites.

*Debt Service* – Activities relating to servicing the long-term debt of the school district, including payments of both principal and interest.

### **E. Uses of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures, such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### *1. Deposits and Investments*

Kansas Statute 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, Kansas Statute 9-1402 requires bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

Kansas Statute 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. Investments are reported at fair value based on quoted market prices.

Cash resources of the individual funds are combined to form a pool of cash and temporary investments that are managed by the District Treasurer. Investments of the pooled accounts consist primarily of certificates of deposits and the Kansas Municipal Investment Pool. Interest income earned is allocated to various funds based upon statutory guidelines.

For purposes of the statement of cash flows, the District considers all investments by fund in the District's cash and investment pool to be cash equivalents.

#### *2. Receivables*

Taxes receivable - Property taxes are assessed on a calendar-year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all tax entities within the county. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the following year. Tax installments paid to the County Treasurer in May are budgeted to finance the current year's operations and are distributed to the District prior to the fiscal year end.

State aid receivable – State statutes provide that in the month of June of each school year, the final payment (from the State to District) shall be made of the full amount of the state aid for the year. The State did not make the final general fund state aid payment of \$2,068,974, or the supplemental general state aid payment \$331,511, for the fiscal year ended June 30, 2015, until July 2015. The District was instructed by the State to record the final payment as though it had been received on June 30, 2015. These receipts were recorded for the budgetary basis; however, they were recorded as a receivable by the general and supplemental general funds on the district-wide and fund financial statements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

#### 3. *Inventories*

All inventories are valued at cost using the average cost method. Inventories in the general fund consist of educational and maintenance supplies. Inventories in the special revenue funds are food supplies. Inventories are recorded as expenditures when consumed rather than when purchased. Reported inventories in the funds are equally offset by a nonspendable fund balance, which indicates they are unavailable for appropriation even though they are a component of reported assets.

#### 4. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets of the District are defined as assets with an initial individual cost of more than \$500. However, the District records only capital assets in excess of \$5,000 on the government-wide financial statements. Capital assets are recorded at historical cost, or estimated historical cost if actual is not available. Donated capital assets are recorded at their estimated fair value as of the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend an asset's life, are not capitalized. The District does not possess any significant infrastructure, such as roads or

All reported capital assets, except land and artwork, are depreciated. Amortization expense of equipment under capital leases is included in depreciation expense. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	20 years
Buildings improvements	20-50 years
Equipment	5-20 years
Vehicles	8 years

The District owns various works of art that are included in capital assets on these financial statements. Any revenue generated by the artwork would be available to be spent for educational purposes.

#### 5. *Medical Claims Payable*

The medical claims payable relates to the District's self-insured health care program and includes reported, as well as incurred but not reported, medical claims. These are expected to be fully paid within one year of the financial statement date.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)**

#### *6. Compensated Absences*

District personnel are eligible for vacation and/or sick leave benefits in varying amounts depending upon the classification of the employee. Upon separation from the District, unused vacation leave and unused sick leave are eligible for payment to employees according to District policy as stated in District handbooks and the negotiated agreement.

Unused vacation must be used by June 30th of the following fiscal year, or the benefit lapses. If the employee should separate from the District within that timeframe, compensation for unused vacation leave is limited to the amount earned at the beginning of that particular fiscal year. Thus, all liability associated with vacation compensation is due within one year of the fiscal year end.

Unused sick leave is accumulated up to a specified maximum number of days. Upon separation from the District, the compensation is based upon a pre-determined daily dollar amount multiplied by the number of accumulated sick days.

The compensated absences liability is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only when the liability has matured, for example, as a result of employee resignations and retirements.

#### *7. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### *8. Fund Equity*

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)**

#### *8. Fund Equity (Cont.)*

In the governmental funds, equity is shown as fund balance and classified into five components:

Non-spendable – Assets that are not in spendable form (such as inventory).

Restricted – Amounts with externally imposed constraints, such as those mandated by creditors, grantors, contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.

Committed – Amounts with a purpose formally imposed by resolution of the Board of Education; binding unless modified or rescinded by the Board of Education.

Assigned – The Board of Education adopted a board policy authorizing the Board of Education or Director of Fiscal Management to assign fund balance. Encumbrances shall be considered assigned unless they specifically meet the requirements to be restricted or committed.

Unassigned – All amounts not included in other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The District does not have a minimum fund balance policy. They rely on Kansas Statutes for those funds that, by statute, have requirements placed on ending unencumbered cash.

#### *9. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

#### 10. *Deferred Outflow/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred pension contributions subsequent to the measurement date of the net pension liability. This amount will be recognized as a reduction of the net pension liability in the following year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the deferred inflows related to pensions as actuarially determined and explained in Note III H.

#### 11. *Net Position*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net positions represent the difference between assets and liabilities on the government-wide financial statements. Net positions are classified in the following categories:

*Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributable to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* – This amount is the net assets that do not meet the definition of “net investment in capital assets” or “restricted net position”.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

### **G. Revenues and Expenditures/Expenses**

#### *1. Program Revenues*

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other items not properly included among program revenues are reported instead as general revenues.

#### *2. Proprietary Fund Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal services funds are charges for medical insurance services. Operating expenses for internal service funds include the payment of medical claims and the related administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

Kansas statutes require budgets be adopted for all funds, unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption for the legal budget.

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in local newspapers of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

Kansas statutes dictate the level of the general fund budget based on a formula that uses a specific dollar amount per full-time equivalent weighted student as of September 20. Because the number of students as of September 20 of the budget year is not known at the time of budget adoption, an estimated number is used. If the estimate is too high, the general fund budget is automatically reduced to the actual number without requiring any formal Board action. If the estimate is too low, the Board of Education may increase the general fund budget to the actual amount only after following statutory procedures for publication and public hearing.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information (Cont.)

Kansas statutes limit the supplemental general fund budget to a percentage of the general fund budget; therefore, this budget could have a corresponding adjustment when the general fund is adjusted to the legal maximum budget amount.

The District's legal level of budget control is at the fund level. Kansas statutes allow for the governing body to increase the original adopted budget for previously unbudgeted increases in revenue other than ad valorem taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may amend the amount of a specific object or purpose appropriation without obtaining authorization from the Board of Education providing the amendments or transfers do not create a total budgeted expenditure amount for a specific fund in excess of the amount originally adopted by the Board of Education.

All legal operating budgets are prepared using the regulatory basis of accounting. Regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments for future payment and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbered appropriations are not re-appropriated in the ensuing year's budget but are carried forward until liquidated or canceled. Accordingly, the data presented in the budgetary comparison schedules differ from the data presented in the financial statements prepared in accordance with GAAP. The reconciliations are presented on the face of the budgetary comparison schedules.

A legal operating budget is not required for the internal service fund, agency funds, capital project funds, and the following general subfunds and special revenue funds.

#### General Revenue Funds

Contingency Reserve  
Textbook Rental

HHS Daycare

#### Special Revenue Funds

Athletic Activities  
Scholarship Funds  
Dayschool Depreciation Reserve  
Rebate Fund

District Activity Funds  
EEC Depreciation Reserve  
Employee Wellness



## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### B. Compliance with the Kansas Cash Basis Law

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. The Federal Grants Fund has a negative unencumbered cash balance at June 30, 2015, which is allowable under Kansas Statute 12-1663. This fund will be reimbursed in the following fiscal year from federal grant programs. This receivable has been recognized for GAAP purposes on the fund financial statements.

### C. General Obligation Bond Debt Limitation

The District's limitation on bond issues is established by Kansas Statute 72-6761 which states that the aggregate amount of bonds which the District can issue without authority from the State Board of Education is 14% of the assessed valuation. The State Board of Education authorized the District to exceed its statutory limit in August 2006 for the 2007-A General Obligation Bond Issue.

14% of assessed valuation	\$ 33,885,368
General obligation debt applicable to limitation	(72,615,000)
Less debt service fund	<u>5,090,161</u>
Debt in excess of limitation	<u>\$ (33,639,471)</u>

## III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Deposits and Investments

As of June 30, 2015, the balance of deposits and investments are as follows:

Cash and cash equivalents:	
Deposits in financial bank institutions	\$ 8,658,063
Certificates of deposits	336,802
State investment pool	<u>27,049,066</u>
Total cash and cash equivalents	<u>\$ 36,043,931</u>

A reconciliation of this cash to the basic financial statements is as follows:

Cash and cash equivalents per the Statement of Net Position	\$ 35,960,009
Cash and cash equivalents per the Statement of Fiduciary Net Position	<u>83,922</u>
Total shown on basic financial statements	<u>\$ 36,043,931</u>

The District's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the methods of securing those deposits and investments.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Deposits and Investments (Cont.)

*Interest rate risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with KSA 12-1675, the District manages its exposure to interest rate fluctuations by limiting time investments to maturities of less than two years.

As of June 30, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
Kansas Municipal Investment Pool	\$ 27,049,066	\$ 27,049,066	\$ -

*Credit risk* – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675 (See Note I. F. 1). The District's practice is to place idle funds in certificates of deposits and the Kansas Municipal Investment Pool (KMIP). The KMIP was rated AAf/S1+ by Standard & Poor's as of March, 2015. The KMIP is permitted to invest in fully collateralized certificates of deposit, certain obligations of the United States, certain repurchase/reverse repurchase agreements, and other types of investments. The fair value of the investments in the pool are the same as the value of the pool shares. The KMIP is managed by the Pool Investment Board of which four members are appointed by the Governor of the State of Kansas.

*Custodial credit risk* – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. KSA 9-1402 and 9-1405 require that governments obtain security for all deposits. The District manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2015, the District was not exposed to custodial credit risk with its deposits or investments.

*Concentration of credit risk* – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and by the fact that the monies in the Kansas Municipal Investment Pool are diverse according to the policies of the investment pool. The District has concentrations of investments as of June 30, 2015, as follows:

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Deposits and Investments (Cont.)

<u>Investments</u>	<u>Percentage of</u>
Kansas Municipal Investment Pool	100%

#### B. Capital Assets

Capital asset activity of the governmental activities for the year ended June 30, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Non-depreciable capital assets:					
Land	\$ 1,938,440	\$ -	\$ -	\$ -	\$ 1,938,440
Artwork	241,785	-	-	-	241,785
Total non-depreciable capital assets	<u>2,180,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,180,225</u>
Depreciable capital assets:					
Land improvements	1,433,470	-	201,482	-	1,634,952
Building	92,368,011	1,570,190	284,781	(835,945)	93,387,037
Equipment	5,692,442	398,796	642,119	(462,269)	6,271,088
Vehicles	1,829,049	-	37,972	(73,848)	1,793,173
Capitalized leased equip	2,196,610	-	1,091,159	-	3,287,769
Total depreciable capital assets	<u>103,519,582</u>	<u>1,968,986</u>	<u>2,257,513</u>	<u>(1,372,062)</u>	<u>106,374,019</u>
Accumulated depreciation:					
Land improvements	311,850	-	67,162	-	379,012
Buildings	19,165,361	32,027	1,841,179	(15,779)	21,022,788
Equipment	3,242,516	105,815	510,059	(343,223)	3,515,167
Vehicles	1,434,809	15,950	105,298	(73,848)	1,482,209
Leased equipment	1,857,285	-	357,709	-	2,214,994
Total accumulated depreciation	<u>26,011,821</u>	<u>153,792</u>	<u>2,881,407</u>	<u>(432,850)</u>	<u>28,614,170</u>
Governmental activities capital assets (net)	<u>\$ 79,687,986</u>	<u>\$ 1,815,194</u>	<u>\$ (623,894)</u>	<u>\$ (939,212)</u>	<u>\$ 79,940,074</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction	\$ 2,579,252
Student support services	2,685
Instructional support	41,943
Operations and maintenance	97,321
Student transportation	3,091
Other support services	120,266
Food service operations	36,849
Total governmental activities depreciation expense	<u>\$ 2,881,407</u>

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### C. Long-Term Liabilities

Long-term liabilities, relating to the District's governmental activities, are as follows:

	Balance at Beginning of Year	Additions	Payments/ Reductions	Balance at End of Year	Due Within One Year
General obligation bonds	\$ 75,415,000	\$ 8,620,000	\$ 11,420,000	\$ 72,615,000	\$ 2,915,000
Premium on bonds	2,571,139	1,013,698	366,662	3,218,175	366,662
Capital lease obligations	86,823	1,091,159	362,742	815,240	268,860
Early retirement program	950,895	230,632	333,124	848,403	316,699
Compensated absences	736,160	34,254	76,344	694,070	393,081
Post employment health care	966,000	314,000	-	1,280,000	-
Net pension liability	51,310,247	-	6,710,015	44,600,232	-
	<u>\$ 132,036,264</u>	<u>\$ 11,303,743</u>	<u>\$ 19,268,887</u>	<u>\$ 124,071,120</u>	<u>\$ 4,260,302</u>

The general obligation bonds will be paid through the Debt Service Fund which will be funded with future property tax revenues. The capital lease obligations are liquidated primarily by the General Fund and the Supplemental General Fund. The early retirement program is generally liquidated by the General Fund, with certain amounts allocated to various special revenue funds. Compensated absences are liquidated by the fund where each employee's regular salary is charged (primarily the General Fund and various special revenue funds). The post employment health care is actuarially determined and any related effect is funded by the General Fund. The net pension liability is actuarially determined and any related effect is funded by the General Fund.

#### General Obligation Bonds

Details of the bond issues are as follows:

Series 2007 General Obligation Bond Series A, original issue amount \$78,800,000, proceeds used to construct and equip new school facilities and to make improvements to existing facilities, future payments due in annual installments of \$2,850,000 to \$8,735,000, starting in 2015, interest rate ranges from 3.00% to 5.50%

\$ 37,950,000

Series 2012 Taxable General Obligation Refunding Bond, original issue amount \$7,935,000, proceeds used to establish an escrow fund to provide for a certain payment of the Series 2007 bonds (has been paid in full), future payments due in annual installments of \$110,000 to \$7,080,000, interest rate ranges from 2.375% to 3.375%.

7,935,000

Series 2013 Taxable General Obligation Refunding Bond, original issue amount \$8,920,000, proceeds used to establish an escrow fund to provide for a certain payment of the Series 2007 bonds (has been paid in full), future payments due in annual installments of \$30,000 to \$6,965,000, interest rate ranges from 1.50% to 3.0%.

8,920,000

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### C. Long-Term Liabilities (Cont.)

##### General Obligation Bonds (Cont.)

Series 2014 Taxable General Obligation Refunding Bond, original issue amount \$9,190,000, proceeds used to establish an escrow fund to provide for a certain payment of the Series 2007 bonds (has been paid in full), future payments due in annual installments of \$60,000 to \$4,115,000, interest rate ranges from 1.50% to 3.0%.

9,190,000

Series 2015 Taxable General Obligation Refunding Bond, original issue amount \$8,620,000, proceeds used to establish an escrow fund to provide for a certain payment of the Series 2007 bonds (has been paid in full), future payments due in annual installments of \$1,590,000 to \$4,580,000, interest ranges from 3% to 4%.

8,620,000

Total \$ 72,615,000

Annual debt service requirements for the general obligation bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,915,000	\$ 3,128,113	\$ 6,043,113
2017	3,260,000	2,966,450	6,226,450
2018	3,610,000	2,570,385	6,180,385
2019	4,175,000	2,154,120	6,329,120
2020	4,670,000	1,938,483	6,608,483
2021-2025	30,025,000	6,762,614	36,787,614
2026-2030	23,960,000	1,261,425	25,221,425
	<u>\$ 72,615,000</u>	<u>\$ 20,781,590</u>	<u>\$ 93,396,590</u>

##### Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2015, the following defeased bonds from prior years are outstanding:

<u>Bond Series</u>	<u>Amount</u>
Series 2012	\$ 7,515,000
Series 2013	8,705,000
Series 2014	9,040,000
Years	<u>\$ 25,260,000</u>

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### C. Long-Term Liabilities (Cont.)

##### Advance Refunding

The District issued \$8,620,000 of general obligation refunding bonds to advance refund a portion of the District's Series 2007-A General Obligation Bonds. The purpose of the refunding was to lower interest rates and provide taxpayers savings. As a result, the refunded bonds are considered to be defeased and the proceeds of new bonds were placed in an irrevocable trust to provide for all future debt service payments on the portion of the old bonds that were refunded. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements and the liability of the defeased debt has been removed from the government-wide financial statements. At June 30, 2015, the amount of outstanding defeased bonds totaled \$8,820,000. The reacquisition price exceeded the net carrying amount of the old debt by \$669,457. This amount is being reported as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$454,525 and resulted in an economic gain of \$402,750.

Excerpt from Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

##### Other financing sources (uses):

Proceeds of refunding bonds	\$ 8,620,000
Payment to refunded bond escrow agent	(9,489,457)

##### Capital Lease Obligations

The District has entered into various lease agreements for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of their future minimum lease payments as of the inception date. The equipment purchased under capital leases totals \$1,091,159 and is included in the capital assets of the District. The amortization of this equipment has been included in the District's depreciation expense. Obligations of the District's governmental activities under capital leases at June 30, 2015, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 268,860	\$ 8,722	\$ 277,582
2017	271,736	5,846	277,582
2018	274,644	2,938	277,582
Total	<u>\$ 815,240</u>	<u>\$ 17,506</u>	<u>\$ 832,746</u>

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### C. Long-Term Liabilities (Cont.)

##### Early Retirement Benefits Program

At the discretion of the Board of Education, the District offers a voluntary early retirement program to eligible staff members. The staff member can select either 10% of the member's "average annual income" plus \$225/month to be used toward payment of a health insurance policy as part of the district health insurance plan or 15% of the member's "average annual income." Staff members must meet the following eligibility requirements:

1. The staff member shall be eligible by age and experience for full retirement benefits under the Kansas Public Employees Retirement System (KPERs) or the employee shall be a minimum of 60 years of age at some time during the calendar year in which early retirement is requested.
2. The staff member shall be receiving retirement benefits from KPERs or from the Social Security Administration.
3. The staff member shall not be older than 64 years on the date of retirement.
4. The staff member shall have a minimum of 15 years of credited full-time service with the District of which the last ten are consecutive.
5. The staff member shall have a minimum of 20 years of credited service as recognized by KPERs.
6. The staff member shall be a full-time employee of the District.
7. Participation in the District's early retirement program by a member shall not create a hardship for the District or its students.
8. The participation in the District's early retirement program by a member must be approved by the Superintendent.

This benefit program is unfunded and current costs are paid by the fund where each employee's salary is charged (the General Fund and various special revenue funds). For the year ended June 30, 2015, the District paid \$331,025 in benefits. The liability for the early retirement program includes the expected cash outflows discounted at a range of 1.63% to 3.25%. At year end, there were 48 retirees receiving benefits.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### D. Operating Lease Obligations

The District leases an athletic facility for various District activities from the Educational Facilities Authority of Reno County. The lease agreement is classified as an operating lease for accounting purposes. The operating lease has an annual renewal option, with the last possible renewal term ending in 2018. Lease payments for year ending June 30, 2015 were \$110,680. The Educational Facilities Authority of Reno County is a joint venture of the District as detailed in Note IV. B.

The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Authority</u>
2016	\$ 74,760
2017	74,760
2018	74,758
	<u>\$ 224,278</u>

The District leases copiers from Canon Financial. The total cost for the five years the District is in contract with Canon Financial is \$254,646. The lease agreement is classified as an operating lease for accounting purposes. The operating lease has an five year renewal option. Lease payments for year ending June 30, 2015 were \$0.

The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Cannon</u>
2016	\$ 48,504
2017	48,504
2018	48,504
2019	48,504
2020	48,504
2021	12,126
	<u>\$ 254,646</u>

#### E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the last three years.

The District has established a self-insured health care program for eligible District employees and covered dependents. The activity is reported in an internal service fund on these financial statements. The District limits its exposure through specific and aggregate stop-loss coverage. All claims handling procedures are performed by a third-party claims administrator. Reported unpaid claims, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate. These claims are expected to be fully paid within one year of the financial statement date.



### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### E. Risk Management (Cont.)

Changes in claims liabilities during the past two years are summarized below:

Unpaid claims, June 30, 2013 (as adjusted in prior year)	\$ 390,312
Claims incurred (including incurred but not reported)	2,808,954
Claim payments	<u>(2,759,884)</u>
Unpaid claims, June 30, 2014	439,382
Claims incurred (including incurred but not reported)	2,288,872
Claim payments	<u>(2,406,832)</u>
Unpaid claims, June 30, 2015	<u>\$ 321,422</u>

#### F. Interfund Transfers

Due to the implementation of Governmental Accounting Standards Board (GASB) 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the majority of the transfers made under the statutory basis of accounting or "internal books," are now classified as state aid. GASB 54 states that "specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes." State aid is initially received in the General and Supplemental General Funds. By various state statutes, the District is required to make transfers of this state aid to other special revenue funds. For purposes of GAAP presentation, these transfers are now shown as state aid in their respective special revenue funds. The transfers below reflect the true transfers made under GAAP presentation as defined by GASB 54.

Interfund transfers occurred during the year and were made between the funds identified in the following table:

<u>From</u>	<u>To</u>	<u>Amount</u>
At Risk K-12 Fund	General Fund	\$ 145,202
At Risk 4 Year Old Fund	General Fund	37,223
Bilingual Ed Fund	General Fund	51,193
Summer School Expense Fund	General Fund	<u>146,593</u>
		<u>\$ 380,211</u>

Transfers are used to move revenue from the fund where state statute or the District's budget requires them to be collected to the fund from which they are required to be expended under state statute or the District's budget.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### G. Post Employment Healthcare Plan

Hutchinson Public Schools Post Employment Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Hutchinson Public Schools No. 308. The Plan does not issue a stand-alone audited GAAP basis financial report.

##### Summary of Significant Accounting Policies and Plan Asset Matters

*Basis of Accounting.* The Plan's account records are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due and payable in accordance with the terms of the Plan. Benefits are recognized when due and payable in accordance with the terms of the Plan.

*Method Used to Value Investments.* Investments are reported at fair value based on quoted market prices. Investments that do not have an established market are reported at their estimated fair value. At June 30, 2015, there were no Plan assets and therefore, no investments were held by the Plan.

##### Plan Description and Contribution Information

*Plan Description.* The Plan provides healthcare benefits, including medical, dental, and prescription drug to retirees. Retiree health coverage is provided for under KSA 12-5040.

A full-time employee is eligible for full retirement benefits under KPERS under any of the following conditions:

The employee must be eligible by age and experience for full retirement benefits under Kansas Public Employees Retirement System (KPERS) or must be a minimum of 60 years of age at some time during the calendar year in which early retirement is requested. The employee must be participating in KPERS retirement to participate in the District early retirement program.

The employee cannot be older than 64 year on the date of retirement.

The employee shall have a minimum of 15 years of credited service and at least 30 hours per week with the District of which the last ten are consecutive.

The employee shall have a minimum of 20 years of credited service as recognized by KPERS.

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches the Medicare eligibility age which is currently age 65. Spousal coverage is available until retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### G. Post Employment Healthcare Plan (Cont.)

Membership of the plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	32
Terminated plan members entitled to but not yet receiving benefit	-
Active plan members	<u>553</u>
Total	<u>585</u>

*Contributions.* As provided by KSA 12-5040, the District allows retirees to participate in the group health insurance plan. The funding policy of the District is to pay premiums as they come due through the Health Care Internal Service Fund. The contribution requirements of Plan members and the District are established and may be amended by the Board of Education. The required contribution is based on the projected pay-as-you-go financing requirements. District retirees pay all but \$225 of their premiums. The District pays claims costs for retirees through its Health Care Internal Service Fund, as described in Note III.E.

#### Funded Status and Funding Progress

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' net OPEB obligation to the Plan:

Annual required contribution	\$ 545,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	<u>(35,000)</u>
Annual OPEB cost (expense)	537,000
Contributions made	<u>223,000</u>
Increase in net OPEB obligation	314,000
Net OPEB obligation – beginning of year	<u>966,000</u>
Net OPEB obligation – end of year	<u>\$ 1,280,000</u>

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### G. Post Employment Healthcare Plan (Cont.)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	404,000	191,000	47.3%	803,000
June 30, 2014	324,000	161,000	49.7%	966,000
June 30, 2015	537,000	223,000	41.5%	1,280,000

As of July 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$4,204,000, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,204,000. The covered payroll (annual payroll of active employees covered by the plan) was \$30,617,351, and the ratio of the UAAL to the covered payroll was 13.73%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets (if any) is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### G. Post Employment Healthcare Plan (Cont.)

In the July 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the District's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements of .5% to an ultimate trend rate of 5% after eight years. Both rates include a 3.0% inflation assumption. The UAAL is amortized over the maximum allowable period of 30 years on an open, level dollar basis. Actuarial methods and assumptions used includes techniques that are consistent with the long-term perspective of the calculations.

#### H. Defined Benefit Pension Plan

*Plan Description.* The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law and administered by KPERS, a body corporate and an instrumentality of the State of Kansas. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available, stand-alone comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737, or at the KPERS website at [www.kpers.org](http://www.kpers.org).

KPERS provides benefit to the following statewide pension groups under one plan, as provided by KSA 74 article 49:

- Public employees, which include:
  - State/School Employees
  - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the pension plan for the school district are included in the State/School employee group.

*Benefits provided.* Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### H. Defined Benefit Pension Plan (Cont.)

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by KSA 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by KSA 74-4922.

*Contributions.* Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal revenue code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by KSA 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.9% of total payroll for the fiscal year ended June 30, 2014.

The actuarially determined employer contribution rates and the statutory employer capped contribution rates for school employees are 15.12% and 10.27%, respectively. KSA 74-4919 and KSA 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members, prior to January 1, 2014, and 5% commencing January 1, 2014, and 6% of covered salary for Tier 2 members.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### H. Defined Benefit Pension Plan (Cont.)

*Employer Allocations.* Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015 and 2014, the District reported a liability of \$44,600,232 and \$51,310,247 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2013, which was rolled forward to June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014, the District's proportion was 0.697% percent, which was a decrease of 0.008% from its proportion measured as of June 30, 2013.

For the actuarial report as of June 30 2014, there were no changes in assumptions or benefits.

There were no changes between the measurement date of December 31, 2013, rolled forward to June 30, 2014, and the District's reporting date of June 30, 2015.

For the year ended June 30, 2015, the District recognized pension expense of \$3,324,034, which include the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### H. Defined Benefit Pension Plan (Cont.)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,056,408
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,309,798
Changes in proportion and differences between District contributions and proportionate share of contributions	-	504,907
District contributions subsequent to the measurement date	<u>3,273,632</u>	<u>-</u>
Total	<u>\$ 3,273,632</u>	<u>\$ 6,871,113</u>

The deferred outflows of resources related to pensions totaling \$3,273,632, resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 1,651,373
2017	1,651,373
2018	1,651,373
2019	1,651,373
2020	265,621
Thereafter	<u>-</u>
	<u>\$ 6,871,113</u>

The District contributes 100% of the contributions to the pension plan, therefore, there is no revenue recognized for the support provided by nonemployer contributing entities.



### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### H. Defined Benefit Pension Plan (Cont.)

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

• Price Inflation	3.0 percent
• Wage inflation	4.0 percent
• Salary increases, including wage increases	4.0 to 12.5 percent, including inflation
• Long-term rate of return, net of investment expense, and including	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2009.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	47.00%	6.00%
Fixed Income	14.00%	0.85%
Yield Driven	8.00%	5.50%
Real Return	11.00%	3.75%
Real Estate	11.00%	6.65%
Alternatives	8.00%	9.50%
Short-term Investments	1.00%	0.00%
Total	<u>100.00%</u>	

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### H. Defined Benefit Pension Plan (Cont.)

*Discount rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

1% Decrease (7.00%)	Discount rate (8.00%)	1% Increase (9.00%)
\$58,216,262	\$44,600,232	\$33,038,617

#### I. Fund Balance Disclosures

*Fund Balance* - See table on next page.

Hutchinson Public Schools  
 Unified School District No. 308  
 Disclosure of Fund Balances Reported on Balance Sheet  
 June 30, 2015

	General	Special Education	Capital Outlay	At Risk K-12	Bond & Interest	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>							
<b>Non-spendable</b>							
Inventory	\$ 61,529	\$ -	\$ -	\$ -	\$ -	\$ 120,799	\$ 182,328
<b>Restricted for</b>							
Debt service	-	-	-	-	5,090,161	-	5,090,161
Special Education	-	4,577,913	-	-	-	-	4,577,913
Capital Outlay	-	-	6,273,611	-	-	-	6,273,611
At Risk 4 Year Olds	-	-	-	-	-	104,818	104,818
At Risk K-12	-	-	-	897,586	-	-	897,586
Bilingual	-	-	-	-	-	304,189	304,189
Virtual Education	-	-	-	-	-	68,472	68,472
Driver Training	-	-	-	-	-	85,506	85,506
Food Service	-	-	-	-	-	1,476,844	1,476,844
Parent Education	-	-	-	-	-	271,074	271,074
Vocational	-	-	-	-	-	2,023,277	2,023,277
Federal funds	-	-	-	-	-	160,651	160,651
Gifts & Grants	-	-	-	-	-	127,542	127,542
EEC Depreciation Reserve	-	-	-	-	-	119,345	119,345
Dayschool Depreciation Reserve	-	-	-	-	-	5,985	5,985
Rebate	-	-	-	-	-	21,413	21,413
Employee Wellness	-	-	-	-	-	9	9
<b>Committed</b>							
Contingency	1,845,906	-	-	-	-	-	1,845,906
District Activity	-	-	-	-	-	237,812	237,812
Athletic Activity	-	-	-	-	-	181,681	181,681
<b>Assigned</b>							
Assigned to General	461,392	-	-	-	-	-	461,392
Assigned to Supplemental General	281,650	-	-	-	-	-	281,650
Assigned to Professional Development	1,100	-	-	-	-	-	1,100
Assigned to Textbook Rental	24,470	-	-	-	-	-	24,470
<b>Unassigned</b>							
Unassigned	4,289,506	-	-	-	-	-	4,289,506
<b>Total Fund Balance</b>	<b>\$ 6,965,553</b>	<b>\$ 4,577,913</b>	<b>\$ 6,273,611</b>	<b>\$ 897,586</b>	<b>\$ 5,090,161</b>	<b>\$ 5,309,417</b>	<b>\$ 29,114,241</b>

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Cont.)

#### I. Fund Balance Disclosures (Cont.)

*Encumbrance Commitments.* At fiscal year end, the District had the following significant contractual or purchase commitments that were outstanding and encumbered against available resources.

<u>Fund</u>	<u>Encumbered For</u>	<u>Amount</u>	<u>Reported within Fund Balance Classification</u>
Capital Outlay Fund	Boiler Replacement	\$ 223,817	Restricted
Capital Outlay Fund	Roofing Project	217,300	Restricted
Capital Outlay Fund	Replacement of HHS JV Gym	134,658	Restricted

*Stabilization Arrangements.* Under Kansas statutes, the District is permitted to maintain a Contingency Fund. Under current statutes the ending unencumbered cash balance can equal up to 10% of the General Fund's legal maximum budgeted expenditures. This Fund can only be spent if the District's Board passes a resolution. The ending balance for June 30, 2015, in the Contingency Fund was \$1,845,906.

#### IV. OTHER INFORMATION

##### A. Contingent Liabilities

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on the financial statements of the District at June 30, 2015.

The District is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the District would be covered by insurance and would not materially affect the District's financial position.

##### B. Joint Venture

In 2003, the District entered into an agreement with the Hutchinson Community College to form a separate legal entity named the Educational Facilities Authority of Reno County (Authority). The purpose of the Authority is to facilitate the renovation, improvement, and acquisition of educational and athletic facilities as determined by the Authority's board of directors. The District has entered into an operating lease agreement with the Authority for the use of an athletic facility. Details of that lease are included in Note III. D. Additionally, the District agreed to make annual contributions to cover an allocated portion of the annual operating costs. For this fiscal year, the District paid operating costs of \$29,797 to the Authority.

#### IV. OTHER INFORMATION (Cont.)

##### B. Joint Venture (Cont.)

Requests for additional financial information should be addressed to the Authority in care of the Hutchinson Community College, 1300 North Plum, Hutchinson, Kansas 67501.

##### C. Prior Period Adjustment

During the year ended June 30, 2015, the following affected the beginning net position of the District:

Changes were made to reflect the effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability. This statement requires the net pension liability be retroactively applied to the prior year. \$ (48,506,053)

Changes were made to the capital asset records for roofing additions completed in the prior year. 1,815,194

Total prior period adjustment on Statement of Activities \$ (46,690,859)

The net prior period adjustment is shown as an increase in the beginning net position in the Statement of Activities.

##### D. Pending Governmental Accounting Standards

The effect on the District's financial statements for the following statements issued, but not yet adopted, has not yet been determined.

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was issued in June 2015. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This is effective for fiscal years beginning after June 15, 2017.

#### **IV. OTHER INFORMATION (Cont.)**

##### **D. Pending Governmental Accounting Standards (Cont.)**

GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued in June 2015. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. This is effective for reporting periods beginning after June 15, 2015.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Other Post Employment Benefits  
Required Supplementary Information  
Year ended June 30, 2015**

**Schedule of Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b -a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2009	\$ -	\$ 2,982,000	\$ 2,982,000	0%	\$ 30,000,128	9.94%
10/1/2011	-	3,232,000	3,232,000	0%	29,875,980	10.82%
7/1/2013	-	4,204,000	4,204,000	0%	30,617,351	13.73%

**Schedule of Employer Contributions:**

Fiscal Year Ended	Annual OPEB Cost Contributed	Net Percentage Contributed
6/30/2013	\$ 191,000	47.3%
6/30/2014	161,000	49.7%
6/30/2015	223,000	41.5%



**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Kansas Public Employees Retirement System**

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability (asset)	0.54%	0.53%								
District's proportionate share of the net pension liability (asset)	\$ 44,600,232	\$ 51,310,247								
District's covered-employee payroll	\$ 28,511,207	\$ 29,594,371								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	156.43%	173.38%								
Plan fiduciary net position as a percentage of the total pension liability	199.42%	149.64%								

\* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS

SCHEDULE OF DISTRICT CONTRIBUTIONS

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	\$ 1,423,225	\$ 1,322,405	\$ 1,269,240	\$ 1,240,226	\$ 1,219,377	\$ 1,156,091	\$ 1,109,542	\$ 1,041,413	\$ 976,053	\$ 890,289
Contributions in relation to the contractually required contribution	<u>(1,404,224)</u>	<u>(1,314,785)</u>	<u>(1,234,002)</u>	<u>(1,240,705)</u>	<u>(1,232,654)</u>	<u>(1,147,935)</u>	<u>(1,105,241)</u>	<u>(1,033,096)</u>	<u>(958,309)</u>	<u>(886,918)</u>
Contribution deficiency (excess)	\$ 19,001	\$ 7,620	\$ 35,238	\$ (479)	\$ (13,277)	\$ 8,156	\$ 4,301	\$ 8,317	\$ 17,744	\$ 3,371
District's covered-employee payroll	\$ 28,511,207	\$ 29,594,371	\$ 28,690,398	\$ 28,652,019	\$ 28,582,317	\$ 28,704,309	\$ 27,631,022	\$ 25,827,407	\$ 23,957,720	\$ 22,172,949
Contributions as a percentage of covered-employee payroll	4.99%	4.47%	4.42%	4.33%	4.27%	4.03%	4.02%	4.03%	4.07%	4.02%

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

Notes to Required Supplementary information  
For the Year Ended June 30, 2015

**Changes in benefit terms:**

Due to this being the first year of implementation, there are no changes in benefit terms to report.

**Changes in assumptions:**

Due to this being the first year of implementation, there are no changes in assumptions to report.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Taxes	\$ -	\$ -	\$ 272	\$ 272
State aid	30,833,634	30,303,214	30,468,143	164,929
Reimbursed expenses	-	213,213	48,012	(165,201)
Transfer from authorized funds	380,211	380,211	380,211	-
Total revenue	31,213,845	30,896,638	30,896,638	-
Expenditures and encumbrances:				
Instruction	11,782,079	11,782,079	11,388,925	(393,154)
Student support services	1,232,065	1,232,065	981,734	(250,331)
Instructional support services	1,205,641	1,205,641	1,023,196	(182,445)
General administration	441,038	441,038	400,404	(40,634)
School administration	2,302,251	2,302,251	2,011,696	(290,555)
Operations and maintenance	3,520,689	3,520,689	3,933,646	412,957
Student transportation services	452,241	452,241	424,065	(28,176)
Other support services	1,686,315	1,686,315	1,770,902	84,587
Architect fees	10,000	10,000	12,398	2,398
Transfers to other funds	8,581,611	8,581,611	8,949,757	368,146
Total expenditures and encumbrances	31,213,930	31,213,930	30,896,723	(317,207)
Adjustment to legal maximum budget	-	(530,420)	-	530,420
Adjustment for State Juvenile Aid	-	132,894	-	(132,894)
Adjustment for CTEA Certification Aid	-	32,307	-	(32,307)
Adjustment for other reimbursed expenses	-	48,012	-	(48,012)
Total expenditures and transfers subject to budget	31,213,930	30,896,723	30,896,723	-
Revenue over (under) expenditures and encumbrances	(85)	(85)	(85)	-
Unencumbered cash, beginning of year	85	85	85	-
Prior year cancelled encumbrances	-	-	11,437	11,437
Unencumbered cash, end of year	\$ -	\$ -	\$ 11,437	\$ 11,437
Explanation of difference between budgetary and GAAP fund balances:				
Unencumbered cash, end of year			\$ 11,437	
Separately budgeted general fund subfunds:				
Supplemental General, including \$281,650 of encumbrances			614,839	
Professional Development, including \$1,100 of encumbrances			744,638	
Summer School			-	
Non-budgeted general fund subfunds:				
Contingency Reserve			1,845,906	
Textbook Rental, including \$24,470 of encumbrances			3,082,687	
HHS Daycare			143,125	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			461,392	
Inventory			61,529	
GAAP fund balance, end of year			\$ 6,965,553	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Special Education Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Federal aid	\$ 1,150,000	\$ 1,150,000	\$ 1,197,532	\$ 47,532
Medicaid aid	450,000	450,000	392,278	(57,722)
Transfers from other funds	5,961,300	5,961,300	6,376,844	415,544
Reimbursed expenses	-	-	26,974	26,974
Total revenue	<u>7,561,300</u>	<u>7,561,300</u>	<u>7,993,628</u>	<u>432,328</u>
Expenditures and encumbrances:				
Instruction	6,887,325	6,887,325	5,800,496	(1,086,829)
Student support services	1,288,795	1,288,795	1,167,945	(120,850)
Instructional support services	41,303	41,303	48,716	7,413
General administration	366,806	366,806	348,288	(18,518)
Operations and maintenance	1,000	1,000	-	(1,000)
Student transportation services	593,952	593,952	566,555	(27,397)
Other support services	-	-	15,150	15,150
Total expenditures and encumbrances	<u>9,179,181</u>	<u>9,179,181</u>	<u>7,947,150</u>	<u>(1,232,031)</u>
Revenue over (under) expenditures and encumbrances	(1,617,881)	(1,617,881)	46,478	1,664,359
Unencumbered cash, beginning of year	<u>4,517,455</u>	<u>4,517,455</u>	<u>4,517,455</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 2,899,574</u>	<u>\$ 2,899,574</u>	<u>\$ 4,563,933</u>	<u>\$ 1,664,359</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 4,563,933	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>13,980</u>	
GAAP fund balance, end of year			<u>\$ 4,577,913</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
At Risk K-12 Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Transfers from other funds	<u>\$ 4,897,335</u>	<u>\$ 4,897,335</u>	<u>\$ 4,897,335</u>	<u>\$ -</u>
Expenditures and encumbrances:				
Instruction	5,343,501	5,343,501	4,337,626	(1,005,875)
Student support	-	-	115,910	115,910
Student transportation service	10,000	10,000	-	(10,000)
Instructional support services	64,088	64,088	100,097	36,009
Transfers to other funds	<u>145,202</u>	<u>145,202</u>	<u>145,202</u>	<u>-</u>
Total expenditures and encumbrances	<u>5,562,791</u>	<u>5,562,791</u>	<u>4,698,835</u>	<u>(863,956)</u>
Revenue over (under) expenditures and encumbrances	(665,456)	(665,456)	198,500	863,956
Unencumbered cash, beginning of year	665,456	665,456	665,456	-
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>	<u>2,624</u>	<u>2,624</u>
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,580</u>	<u>\$ 866,580</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 866,580	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>31,006</u>	
GAAP fund balance, end of year			<u>\$ 897,586</u>	

## **SUPPLEMENTARY INFORMATION**

**Hutchinson Public Schools  
Unified School District No. 308**

**Fund Descriptions**

**General Funds** – the general funds maintained by the District and the purpose of each are as follows:

**General Fund** – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**Supplemental General Fund** – This fund is used to account for revenue received and expenditures incurred related to the District's Local Option Budget (LOB). The LOB allows school districts to spend above the amount provided by the state in the general fund weighting formula.

**Professional Development Fund** – This fund is used to account for teacher in-service training program.

**Summer School Fund** – This fund is used to account for costs associated with the summer school programs.

**Contingency Reserve Fund** – This fund is used to provide resources for unforeseen and unplanned needs.

**Textbook Rental Fund** – This fund is used to account for fees collected and expenditures related to textbooks, workbooks, music instruments, supplies, and other items.

**HHS Daycare Fund** – This fund is used to account for revenue and expenses related to the childcare center maintained at the District.

**Special Revenue Funds** – used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds maintained by the District and the purpose of each are as follows:

**At Risk 4 Year Olds** – used to account for revenue and expense related to at risk 4 year old children.

**Bilingual Education** – used to account for costs incurred in administering programs to provide special help for students whose native language is not English.

**Virtual Education** – used to provide lessons, resources, training and teaching support online for K-8 families and to provide an online alternative learning option for high school students in Hutchinson.

**Driver Training** – used to account for the costs of providing driver education programs.

**Food Service** – used to account for the monies received and expended attributable to the food service program. The program is administered according to the state plan of child nutrition operations under which federal funds are received pursuant to federal acts relating to child nutrition. The programs are administered and meals are served on a nonprofit basis.



## **Fund Descriptions ( Cont.)**

**Parent Education** – used to account for the home/school partnership program that helps parents understand more about how young children grow and learn so they can be better teachers of their preschool children.

**Vocational Education** – used to account for secondary education vocational programs approved by the state and funded by the general fund weighting formula.

**KPERS Retirement** – used to record the state aid received to pay for the employer's share of the KPERS contributions.

**Employee Wellness** – used for wellness activities associated with District staff.

**Federal Grants** – used to account for revenue and expenses of programs administered in accordance with federal grants awarded to the District

**Gifts and Grants** – used to account for revenue and expenses for programs administered with state and local gifts and grants awarded to the District.

**Early Education Depreciation Reserves** – used to provide resources for capital expenses for the Early Education Center.

**Dayschool Depreciation Reserves** – used to account for revenue and expenses relating to kids with behavioral issues located at the Dayschool.

**Rebate** – used to pay remaining expenditures relating to the bond activity.

**District Activity** – used to account for revenue and expenses relating to co-curricular activities which have student participation in the activity, but are administered by the District.

**Athletic Activity** – used to account for gate receipts at the middle and secondary school athletic functions and expenditures relating to those functions.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Balance Sheet  
General Fund  
Year Ended June 30, 2015**

	General Fund							
	General	Supplemental General	Professional Development	Summer School	Contingency Reserve	Textbook Rental	HHS Daycare	Total
<b>Assets:</b>								
Cash, cash equivalents and investments	\$ 292,991	\$ 649,856	\$ 744,638	\$ -	\$ 1,845,906	\$ 3,084,126	\$ 143,125	\$ 6,760,642
State aid receivable	2,068,974	331,511	-	-	-	-	-	2,400,485
Inventory	61,529	-	-	-	-	-	-	61,529
<b>Total assets</b>	<b>\$ 2,423,494</b>	<b>\$ 981,367</b>	<b>\$ 744,638</b>	<b>\$ -</b>	<b>\$ 1,845,906</b>	<b>\$ 3,084,126</b>	<b>\$ 143,125</b>	<b>\$ 9,222,656</b>
<b>Liabilities:</b>								
Accounts payable	\$ 556,725	\$ 255,956	\$ -	\$ -	\$ -	\$ 1,439	\$ -	\$ 814,120
Due to other funds	-	-	-	-	-	-	-	-
Accrued payroll	1,332,411	110,572	-	-	-	-	-	1,442,983
<b>Total liabilities</b>	<b>1,889,136</b>	<b>366,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,439</b>	<b>-</b>	<b>2,257,103</b>
<b>Fund Balances:</b>								
Nonspendable	61,529	-	-	-	-	-	-	61,529
Committed	-	-	-	-	1,845,906	-	-	1,845,906
Assigned	461,392	281,650	1,100	-	-	24,470	-	768,612
Unassigned	11,437	333,189	743,538	-	-	3,058,217	143,125	4,289,506
<b>Total fund balances</b>	<b>534,358</b>	<b>614,839</b>	<b>744,638</b>	<b>-</b>	<b>1,845,906</b>	<b>3,082,687</b>	<b>143,125</b>	<b>6,965,553</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,423,494</b>	<b>\$ 981,367</b>	<b>\$ 744,638</b>	<b>\$ -</b>	<b>\$ 1,845,906</b>	<b>\$ 3,084,126</b>	<b>\$ 143,125</b>	<b>\$ 9,222,656</b>

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance  
General Fund  
Year Ended June 30, 2015**

	General Fund							
	General	Supplemental General	Professional Development	Summer School	Contingency Reserve	Textbook Rental	HHS Daycare	Total General Fund
<b>Revenues:</b>								
Taxes	\$ 272	\$ 3,325,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,326,136
State aid	21,518,386	880,018	46,314	-	-	400,000	-	22,844,718
Federal aid	-	-	-	-	-	-	8,099	8,099
Charges for services	-	-	-	-	-	105,683	117,169	222,852
Other	48,012	-	-	-	-	-	64,086	112,098
Total revenue	21,566,670	4,205,882	46,314	-	-	505,683	189,354	26,513,903
<b>Expenditures:</b>								
Instruction	12,459,324	2,707,423	-	-	-	297,436	-	15,464,183
Student support services	981,734	97,736	-	-	-	-	-	1,079,470
Instructional support services	1,023,196	231,913	51,914	-	-	1,929	-	1,308,952
General administration	400,404	16,234	-	-	-	-	-	416,638
School administration	2,011,696	173,101	-	-	-	-	-	2,184,797
Operations and maintenance	3,933,646	1,268,560	-	-	-	-	-	5,202,206
Student transportation services	424,065	-	-	-	-	-	-	424,065
Other support services	1,770,902	78,812	-	-	-	-	-	1,849,714
Food service	-	6,642	-	-	-	-	12,857	19,499
Community service operations	-	-	-	-	-	-	170,792	170,792
Architectural and engineering services	12,398	-	-	-	-	-	-	12,398
Total expenditures	23,017,365	4,580,421	51,914	-	-	299,365	183,649	28,132,714
Excess of revenues over (under) expenditures	(1,450,695)	(374,539)	(5,600)	-	-	206,318	5,705	(1,618,811)
<b>Other financing sources (uses):</b>								
Transfers in	380,211	-	-	-	-	-	-	380,211
Transfers out	-	-	-	(146,593)	-	-	-	(146,593)
Capital lease financing	1,091,159	-	-	-	-	-	-	1,091,159
Total other financing sources (uses)	1,471,370	-	-	(146,593)	-	-	-	1,324,777
Net change in fund balances	20,675	(374,539)	(5,600)	(146,593)	-	206,318	5,705	(294,034)
Fund balances at beginning of year	513,683	989,378	750,238	146,593	1,845,906	2,876,369	137,420	7,259,587
Fund balances at end of year	\$ 534,358	\$ 614,839	\$ 744,638	\$ -	\$ 1,845,906	\$ 3,082,687	\$ 143,125	\$ 6,965,553

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

Special Revenue Funds

	At Risk 4 Yr Olds	Bilingual Education	Virtual Education	Driver Training	Food Service	Parent Education	Vocational Education	KPERS Retirement	Employee Wellness
<b>Assets:</b>									
Cash, cash equivalents and investments	\$ 121,461	\$ 330,702	\$ 68,743	\$ 85,506	\$ 1,476,960	\$ 271,722	\$ 2,189,429	\$ -	\$ 9
Inventory	-	-	-	-	35,553	-	85,246	-	-
<b>Total assets</b>	<b>\$ 121,461</b>	<b>\$ 330,702</b>	<b>\$ 68,743</b>	<b>\$ 85,506</b>	<b>\$ 1,512,513</b>	<b>\$ 271,722</b>	<b>\$ 2,274,675</b>	<b>\$ -</b>	<b>\$ 9</b>
<b>Liabilities:</b>									
Accounts payable	\$ 620	\$ -	\$ -	\$ -	\$ -	\$ 534	\$ 23,366	\$ -	\$ -
Accrued payroll	16,023	26,513	271	-	116	114	142,786	-	-
<b>Total liabilities</b>	<b>16,643</b>	<b>26,513</b>	<b>271</b>	<b>-</b>	<b>116</b>	<b>648</b>	<b>166,152</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>									
Nonspendable	-	-	-	-	35,553	-	85,246	-	-
Restricted	104,818	304,189	68,472	85,506	1,476,844	271,074	2,023,277	-	9
Committed	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>104,818</b>	<b>304,189</b>	<b>68,472</b>	<b>85,506</b>	<b>1,512,397</b>	<b>271,074</b>	<b>2,108,523</b>	<b>-</b>	<b>9</b>
<b>Total liabilities and fund balances</b>	<b>\$ 121,461</b>	<b>\$ 330,702</b>	<b>\$ 68,743</b>	<b>\$ 85,506</b>	<b>\$ 1,512,513</b>	<b>\$ 271,722</b>	<b>\$ 2,274,675</b>	<b>\$ -</b>	<b>\$ 9</b>

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**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

		Special Revenue Funds							Total Nonmajor Governmental Funds
		Federal Grants	Gift and Grants	EEC Depreciation Reserve	Dayschool Depreciation Reserve	Rebate	District Activity	Athletic Activity	
Assets:	Cash, cash equivalents and investments	\$ 327,848	\$ 128,139	\$ 119,345	\$ 5,985	\$ 21,413	\$ 237,812	\$ 181,681	\$ 5,566,755
	Federal receivable Inventory	117,335	-	-	-	-	-	-	117,335
		-	-	-	-	-	-	-	120,799
	Total assets	\$ 445,183	\$ 128,139	\$ 119,345	\$ 5,985	\$ 21,413	\$ 237,812	\$ 181,681	\$ 5,804,889
Liabilities:	Accounts payable	\$ 26,227	\$ 597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,344
	Accrued payroll	258,305	-	-	-	-	-	-	444,128
		-	-	-	-	-	-	-	-
	Total liabilities	\$ 284,532	\$ 597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,472
Fund Balances:									
Nonspendable Restricted Committed		160,651	127,542	119,345	5,985	21,413	-	-	120,799
		-	-	-	-	-	-	-	4,769,125
		-	-	-	-	-	237,812	181,681	419,493
	Total fund balances	160,651	127,542	119,345	5,985	21,413	237,812	181,681	5,309,417
Total liabilities and fund balances		\$ 445,183	\$ 128,139	\$ 119,345	\$ 5,985	\$ 21,413	\$ 237,812	\$ 181,681	\$ 5,804,889

**HUTCHINSON PUBLIC SCHOOLS  
UNITED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

	Special Revenue Funds									
	At Risk 4 Yr Olds	Bilingual Education	Virtual Education	Driver Training	Food Service	Parent Education	Vocational Education	KPERS Retirement	Employee Wellness	
<b>Revenues:</b>										
State aid	\$ 252,291	\$ 316,218	\$ 295	\$ -	\$ 26,743	\$ 209,438	\$ 1,974,063	\$ 2,781,947	\$ -	
Federal aid	-	-	-	-	2,065,698	-	-	-	-	
Charges for services	-	-	295	-	504,195	-	672,362	-	-	
Earnings on investments	-	-	-	-	711	-	-	-	-	
Other	-	-	-	-	93,587	39,088	474,442	-	350	
Contributions	-	-	-	-	-	-	-	-	-	
<b>Total revenue</b>	<b>252,291</b>	<b>316,218</b>	<b>590</b>	<b>-</b>	<b>2,690,934</b>	<b>248,526</b>	<b>3,120,867</b>	<b>2,781,947</b>	<b>350</b>	
<b>Expenditures:</b>										
Instruction	147,402	327,434	22,000	3,150	-	-	2,448,186	1,975,183	-	
Student support services	-	-	-	-	-	219,037	-	222,556	-	
Instructional support services	-	-	-	-	-	-	23,309	55,639	-	
General administration	-	-	-	-	-	-	-	27,819	-	
School administration	-	-	3,268	-	-	-	154,446	194,736	-	
Operations and maintenance	-	-	-	-	111,979	-	72,955	194,736	-	
Student transportation services	12,747	-	-	-	-	-	11,113	-	-	
Other support services	-	-	-	-	-	125	-	55,639	-	
Food service	-	-	-	-	2,366,389	-	-	55,639	-	
Community service operations	-	-	-	-	-	-	-	-	350	
Architectural and engineering services	-	-	-	-	-	-	-	-	-	
<b>Total expenditures</b>	<b>160,149</b>	<b>327,434</b>	<b>25,268</b>	<b>3,150</b>	<b>2,478,368</b>	<b>219,162</b>	<b>2,710,009</b>	<b>2,781,947</b>	<b>350</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>92,142</b>	<b>(11,216)</b>	<b>(24,678)</b>	<b>(3,150)</b>	<b>212,566</b>	<b>29,364</b>	<b>410,858</b>	<b>-</b>	<b>-</b>	
<b>Other financing sources (uses):</b>										
Transfers out	(37,223)	(51,193)	-	-	-	-	-	-	-	
<b>Net change in fund balances</b>	<b>54,919</b>	<b>(62,409)</b>	<b>(24,678)</b>	<b>(3,150)</b>	<b>212,566</b>	<b>29,364</b>	<b>410,858</b>	<b>-</b>	<b>-</b>	
<b>Fund balances at beginning of year</b>	<b>49,899</b>	<b>366,598</b>	<b>93,150</b>	<b>88,656</b>	<b>1,299,831</b>	<b>241,710</b>	<b>1,697,665</b>	<b>-</b>	<b>9</b>	
<b>Fund balances at end of year</b>	<b>\$ 104,818</b>	<b>\$ 304,189</b>	<b>\$ 68,472</b>	<b>\$ 85,506</b>	<b>\$ 1,512,397</b>	<b>\$ 271,074</b>	<b>\$ 2,108,523</b>	<b>\$ -</b>	<b>\$ 9</b>	

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**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Federal Grants	Gifts and Grants	EEC Depreciation Reserve	Dayschool Depreciation Reserve	Rebate	District Activity	Athletic Activity	
<b>Revenues:</b>								
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,560,995
Federal aid	4,546,448	-	-	-	-	-	-	6,612,146
Charges for services	-	-	-	-	-	238,025	338,885	1,753,762
Earnings on investments	-	-	-	-	-	-	74	785
Other	-	15,289	20,000	4,000	15,782	-	-	662,538
Contributions	-	45,392	-	-	-	-	-	45,392
Total revenue	4,546,448	60,681	20,000	4,000	15,782	238,025	338,959	14,635,618
<b>Expenditures:</b>								
Instruction	3,172,389	34,587	-	-	-	242,225	361,509	8,734,065
Student support services	568,839	19,815	-	-	-	-	-	1,030,247
Instructional support services	611,569	2,300	-	-	-	-	-	692,817
General administration	4,294	25	-	-	-	-	-	32,138
School administration	-	-	-	-	-	-	-	352,450
Operations and maintenance	155,278	-	-	13,987	-	-	-	548,935
Student transportation services	49,503	-	-	-	-	-	-	73,363
Other support services	1,946	16,443	-	-	-	-	-	74,153
Food service	150,179	-	-	-	-	-	-	2,572,207
Community service operations	-	-	-	-	-	-	-	350
Architectural and engineering services	-	-	-	-	452	-	-	452
Total expenditures	4,713,997	73,170	-	13,987	452	242,225	361,509	14,111,177
Excess of revenues over (under) expenditures	(167,549)	(12,489)	20,000	(9,987)	15,330	(4,200)	(22,550)	524,441
<b>Other financing sources (uses):</b>								
Transfers out	-	-	-	-	-	-	-	(88,416)
Net change in fund balances	(167,549)	(12,489)	20,000	(9,987)	15,330	(4,200)	(22,550)	436,025
Fund balances at beginning of year	328,200	140,031	99,345	15,972	6,083	242,012	204,231	4,873,392
Fund balances at end of year	\$ 160,651	\$ 127,542	\$ 119,345	\$ 5,985	\$ 21,413	\$ 237,812	\$ 181,681	\$ 5,309,417

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Supplemental General Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over (Under)
	Original	Final	Basis	
Revenue:				
Taxes	\$ 3,276,178	\$ 3,276,178	\$ 3,325,864	\$ 49,686
State aid	6,456,000	6,456,000	6,262,320	(193,680)
Total revenue	9,732,178	9,732,178	9,588,184	(143,994)
Expenditures and encumbrances:				
Instruction	3,041,367	3,041,367	2,744,638	(296,729)
Student support services	147,580	147,580	97,736	(49,844)
Instructional support services	301,435	301,435	231,913	(69,522)
General administration	5,513	5,513	16,234	10,721
School administration	211,301	211,301	173,101	(38,200)
Operations and maintenance	1,311,612	1,311,612	1,268,622	(42,990)
Other support services	45,204	45,204	78,812	33,608
Food service	-	-	6,642	6,642
Transfers out to other funds	4,935,988	4,935,988	5,382,302	446,314
Total expenditures and encumbrances	10,000,000	10,000,000	10,000,000	-
Revenue over (under) expenditures and encumbrances	(267,822)	(267,822)	(411,816)	(143,994)
Unencumbered cash, beginning of year	744,944	744,944	744,944	-
Prior year cancelled encumbrances	-	-	61	-
Unencumbered cash, end of year	\$ 477,122	\$ 477,122	\$ 333,189	\$ (143,994)
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 333,189	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			281,650	
GAAP fund balance, end of year (combined with General Fund for GAAP presentation)			\$ 614,839	



**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Professional Development Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Transfers from other funds	\$ -	\$ -	\$ 46,314	\$ 46,314
Expenditures and encumbrances:				
Instructional support	<u>550,603</u>	<u>550,603</u>	<u>46,527</u>	<u>(504,076)</u>
Revenue over (under) expenditures and encumbrances	(550,603)	(550,603)	(213)	550,390
Unencumbered cash, beginning of year	743,538	743,537	743,537	-
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>	<u>214</u>	<u>214</u>
Unencumbered cash, end of year	<u>\$ 192,935</u>	<u>\$ 192,934</u>	<u>\$ 743,538</u>	<u>\$ 550,604</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 743,538	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>1,100</u>	
GAAP fund balance, end of year (combined with General Fund for GAAP presentation)			<u>\$ 744,638</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Summer School Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:	\$ -	\$ -	\$ -	\$ -
Expenditures and encumbrances:				
Transfers out to other funds	<u>146,593</u>	<u>146,593</u>	<u>146,593</u>	<u>-</u>
Revenue over (under) expenditures and encumbrances	(146,593)	(146,593)	(146,593)	-
Unencumbered cash, beginning of year	<u>146,593</u>	<u>146,593</u>	<u>146,593</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ -	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year (combined with General Fund for GAAP presentation)			<u>\$ -</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
At Risk 4 Year Olds Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Transfers from other funds	\$ 252,291	\$ 252,291	\$ 252,291	\$ -
Expenditures and encumbrances:				
Instruction	203,326	203,326	151,622	(51,704)
Student transportation service	61,640	61,640	12,747	(48,893)
Transfers to other funds	37,223	37,223	37,223	-
Total expenditures and encumbrances	302,189	302,189	201,592	(100,597)
Revenue over (under) expenditures and encumbrances	(49,898)	(49,898)	50,699	100,597
Unencumbered cash, beginning of year	49,898	49,898	49,898	-
Unencumbered cash, end of year	\$ -	\$ -	\$ 100,597	\$ 100,597
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 100,597	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			4,221	
GAAP fund balance, end of year			<u>\$ 104,818</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Bilingual Education Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Transfers from other funds	<u>\$ 316,218</u>	<u>\$ 316,218</u>	<u>\$ 316,218</u>	<u>\$ -</u>
Expenditures and encumbrances:				
Instruction	571,078	571,078	327,434	(243,644)
Transfer to other funds	<u>51,193</u>	<u>51,193</u>	<u>51,193</u>	<u>-</u>
Total expenditures and encumbrances	<u>622,271</u>	<u>622,271</u>	<u>378,627</u>	<u>(243,644)</u>
Revenue over (under) expenditures and encumbrances	(306,053)	(306,053)	(62,409)	243,644
Unencumbered cash, beginning of year	<u>366,598</u>	<u>366,598</u>	<u>366,598</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 60,545</u>	<u>\$ 60,545</u>	<u>\$ 304,189</u>	<u>\$ 243,644</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 304,189	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 304,189</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Virtual Education Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Transfers from other funds	\$ 80,000	\$ 80,000	\$ 295	\$ (79,705)
Other revenue	<u>-</u>	<u>-</u>	<u>295</u>	<u>295</u>
Total revenue	<u>80,000</u>	<u>80,000</u>	<u>590</u>	<u>(79,410)</u>
Expenditures and encumbrances:				
Instruction	147,978	147,978	22,000	(125,978)
School administration	<u>8,803</u>	<u>8,803</u>	<u>3,268</u>	<u>(5,535)</u>
Total expenditures and encumbrances	<u>156,781</u>	<u>156,781</u>	<u>25,268</u>	<u>(131,513)</u>
Revenue over (under) expenditures and encumbrances	(76,781)	(76,781)	(24,678)	52,103
Unencumbered cash, beginning of year	<u>93,150</u>	<u>93,150</u>	<u>93,150</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 16,369</u>	<u>\$ 16,369</u>	<u>\$ 68,472</u>	<u>\$ 52,103</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 68,472	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 68,472</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Driver Training Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:	\$ -	\$ -	\$ -	\$ -
Expenditures and encumbrances:				
Instruction	<u>20,000</u>	<u>20,000</u>	<u>3,150</u>	<u>(16,850)</u>
Revenue over (under) expenditures and encumbrances	(20,000)	(20,000)	(3,150)	16,850
Unencumbered cash, beginning of year	<u>88,656</u>	<u>88,656</u>	<u>88,656</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 68,656</u>	<u>\$ 68,656</u>	<u>\$ 85,506</u>	<u>\$ 16,850</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 85,506	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 85,506</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Food Service Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
State aid	\$ 21,954	\$ 21,954	\$ 26,743	\$ 4,789
Federal aid	1,712,736	1,712,736	2,065,698	352,962
Food service sales	399,088	399,088	504,195	105,107
Interest on idle funds	600	600	711	111
Other	<u>80,000</u>	<u>80,000</u>	<u>93,586</u>	<u>13,586</u>
Total revenue	<u>2,214,378</u>	<u>2,214,378</u>	<u>2,690,933</u>	<u>476,555</u>
Expenditures and encumbrances:				
Operations and maintenance	135,767	135,767	111,979	(23,788)
Food service	<u>3,144,448</u>	<u>3,144,448</u>	<u>2,365,627</u>	<u>(778,821)</u>
Total expenditures and encumbrances	<u>3,280,215</u>	<u>3,280,215</u>	<u>2,477,606</u>	<u>(802,609)</u>
Revenue over (under) expenditures and encumbrances	(1,065,837)	(1,065,837)	213,327	1,279,164
Unencumbered cash, beginning of year	<u>1,263,517</u>	<u>1,263,517</u>	<u>1,263,517</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 197,680</u>	<u>\$ 197,680</u>	<u>\$ 1,476,844</u>	<u>\$ 1,279,164</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 1,476,844	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
Inventory			<u>35,553</u>	
GAAP fund balance, end of year			<u>\$ 1,512,397</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Parent Education Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
State aid	\$ 139,438	\$ 139,438	\$ 139,438	\$ -
Other	42,500	42,500	39,088	(3,412)
Transfers from other funds	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total revenue	<u>251,938</u>	<u>251,938</u>	<u>248,526</u>	<u>(3,412)</u>
Expenditures and encumbrances:				
Student support	263,494	263,494	255,620	(7,874)
Other support services	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
Total expenditures and encumbrances	<u>263,494</u>	<u>263,494</u>	<u>255,745</u>	<u>(7,749)</u>
Revenue over (under) expenditures and encumbrances	(11,556)	(11,556)	(7,219)	4,337
Unencumbered cash, beginning of year	<u>240,785</u>	<u>240,785</u>	<u>240,785</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 229,229</u>	<u>\$ 229,229</u>	<u>\$ 233,566</u>	<u>\$ 4,337</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 233,566	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>37,508</u>	
GAAP fund balance, end of year			<u>\$ 271,074</u>	



**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Vocational Education Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Tuition	\$ 700,000	\$ 700,000	\$ 672,362	\$ (27,638)
State	3,506	3,506	1,301	(2,205)
Federal aid	95,000	95,000	-	(95,000)
Transfers from other funds	1,940,455	1,940,455	1,972,762	32,307
Reimbursed expenses	-	-	474,442	474,442
	<u>2,738,961</u>	<u>2,738,961</u>	<u>3,120,867</u>	<u>381,906</u>
Total revenue				
Expenditures and encumbrances:				
Instruction	2,910,923	2,910,923	2,252,363	(658,560)
Instructional support	43,149	43,149	23,309	(19,840)
School administration	181,481	181,481	154,446	(27,035)
Operations and maintenance	187,810	187,810	73,674	(114,136)
	<u>3,323,363</u>	<u>3,323,363</u>	<u>2,514,906</u>	<u>(808,457)</u>
Total expenditures and encumbrances				
Revenue over (under) expenditures and encumbrances	(584,402)	(584,402)	605,961	1,190,363
Unencumbered cash, beginning of year	1,346,717	1,346,717	1,346,717	-
Prior year cancelled encumbrances	-	-	718	718
	<u>-</u>	<u>-</u>	<u>718</u>	<u>718</u>
Unencumbered cash, end of year	<u>\$ 762,315</u>	<u>\$ 762,315</u>	<u>\$ 1,953,396</u>	<u>\$ 1,191,081</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 1,953,396	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			69,881	
Inventory			85,246	
GAAP fund balance, end of year			<u>\$ 2,108,523</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
KPERS Special Retirement Contribution Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
State aid	<u>\$ 3,801,273</u>	<u>\$ 3,801,273</u>	<u>\$ 2,781,947</u>	<u>\$ (1,019,326)</u>
Expenditures and encumbrances:				
Instruction	2,698,906	2,698,906	1,975,182	(723,724)
Student support	304,102	304,102	222,556	(81,546)
Instructional support	76,026	76,026	55,639	(20,387)
General administration	38,012	38,012	27,819	(10,193)
School administration	266,089	266,089	194,736	(71,353)
Operations and maintenance	266,089	266,089	194,736	(71,353)
Other support services	76,026	76,026	55,639	(20,387)
Food service	<u>76,023</u>	<u>76,023</u>	<u>55,640</u>	<u>(20,383)</u>
Total expenditures and encumbrances	<u>3,801,273</u>	<u>3,801,273</u>	<u>2,781,947</u>	<u>(1,019,326)</u>
Revenue over (under) expenditures and encumbrances	-	-	-	-
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ -	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ -</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Federal Grants Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Federal aid	<u>\$ 4,887,418</u>	<u>\$ 4,887,418</u>	<u>\$ 4,510,494</u>	<u>\$ (376,924)</u>
Expenditures and encumbrances:				
Instruction	3,230,325	3,230,325	3,004,832	(225,493)
Student support	587,970	587,970	568,839	(19,131)
Instructional support	692,196	692,196	611,569	(80,627)
General administration	-	-	4,294	4,294
Operations and maintenance	105,777	105,777	155,278	49,501
Student transportation service	27,006	27,006	49,503	22,497
Other support services	17,181	17,181	1,946	(15,235)
Food service	<u>145,582</u>	<u>145,582</u>	<u>150,841</u>	<u>5,259</u>
Total expenditures and encumbrances	<u>4,806,037</u>	<u>4,806,037</u>	<u>4,547,102</u>	<u>(258,935)</u>
Revenue over (under) expenditures and encumbrances	81,381	81,381	(36,608)	(117,989)
Unencumbered cash, beginning of year	(81,381)	(81,381)	(81,381)	-
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>	<u>654</u>	<u>654</u>
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117,335)</u>	<u>\$ (117,335)</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ (117,335)	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			160,651	
Federal receivable			<u>117,335</u>	
GAAP fund balance, end of year			<u>\$ 160,651</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Gifts and Grants Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Other	\$ 50,000	\$ 50,000	\$ 15,289	\$ (34,711)
Contributions	<u>150,000</u>	<u>150,000</u>	<u>45,392</u>	<u>(104,608)</u>
Total revenue	<u>200,000</u>	<u>200,000</u>	<u>60,681</u>	<u>(139,319)</u>
Expenditures and encumbrances:				
Instruction	245,438	245,438	42,586	(202,852)
Instructional support	15,000	15,000	2,300	(12,700)
Operations and maintenance	5,000	5,000	-	(5,000)
Other support services	-	-	16,443	16,443
Food service operation	20,000	20,000	-	(20,000)
Student support	<u>-</u>	<u>-</u>	<u>19,815</u>	<u>19,815</u>
Total expenditures and encumbrances	<u>285,438</u>	<u>285,438</u>	<u>81,169</u>	<u>(204,269)</u>
Revenue over (under) expenditures and encumbrances	(85,438)	(85,438)	(20,488)	64,950
Unencumbered cash, beginning of year	<u>254,291</u>	<u>217,342</u>	<u>138,974</u>	<u>(78,368)</u>
Unencumbered cash, end of year	<u>\$ 168,853</u>	<u>\$ 131,904</u>	<u>\$ 118,486</u>	<u>\$ (13,418)</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 118,486	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>9,056</u>	
GAAP fund balance, end of year			<u>\$ 127,542</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Capital Outlay Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 802,824	\$ 802,824	\$ 876,905	\$ 74,081
State aid	414,610	414,610	287,216	(127,394)
Interest on idle funds	2,500	2,500	3,950	1,450
Other revenue	<u>157,266</u>	<u>157,266</u>	<u>300,486</u>	<u>143,220</u>
Total revenue	<u>1,377,200</u>	<u>1,377,200</u>	<u>1,468,557</u>	<u>91,357</u>
Expenditures and encumbrances:				
Instruction	1,176,622	1,176,622	-	(1,176,622)
Student support services	2,000	2,000	-	(2,000)
Instructional support services	22,352	22,352	-	(22,352)
General administration	23,000	23,000	-	(23,000)
Operations and maintenance	126,192	126,192	23,339	(102,853)
Other support services	267,512	267,512	-	(267,512)
Facilities acquisition and construction	<u>2,198,169</u>	<u>2,198,169</u>	<u>1,173,337</u>	<u>(1,024,832)</u>
Total expenditures and encumbrances	<u>3,815,847</u>	<u>3,815,847</u>	<u>1,196,676</u>	<u>(2,619,171)</u>
Revenue over (under) expenditures and encumbrances	(2,438,647)	(2,438,647)	271,881	2,710,528
Unencumbered cash, beginning of year	5,340,008	5,260,870	5,340,008	79,138
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>	<u>575</u>	<u>575</u>
Unencumbered cash, end of year	<u>\$ 2,901,361</u>	<u>\$ 2,822,223</u>	<u>\$ 5,612,464</u>	<u>\$ 2,790,241</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 5,612,464	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>661,147</u>	
GAAP fund balance, end of year			<u>\$ 6,273,611</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Bond & Interest Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 2,966,053	\$ 2,966,053	\$ 3,305,989	\$ 339,936
State aid	<u>2,937,451</u>	<u>2,937,451</u>	<u>2,937,451</u>	<u>-</u>
Total revenue	<u>5,903,504</u>	<u>5,903,504</u>	<u>6,248,423</u>	<u>344,919</u>
Expenditures and encumbrances:				
Principal	2,600,000	2,600,000	2,600,000	-
Interest	3,274,901	3,274,901	3,274,900	(1)
Commission and postage	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total expenditures and encumbrances	<u>5,875,001</u>	<u>5,875,001</u>	<u>5,874,900</u>	<u>(101)</u>
Revenue over (under) expenditures and encumbrances	28,503	28,503	373,523	345,020
Unencumbered cash, beginning of year	<u>4,716,638</u>	<u>4,464,517</u>	<u>4,716,638</u>	<u>252,121</u>
Unencumbered cash, end of year	<u>\$ 4,745,141</u>	<u>\$ 4,493,020</u>	<u>\$ 5,090,161</u>	<u>\$ 597,141</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 5,090,161	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 5,090,161</u>	

**Hutchinson Public Schools  
Unified School District No. 308**

**Fund Descriptions – Agency Funds**

**Agency Funds** – used to account for situations where the District’s role is custodial. All assets are offset by a liability to the party on whose behalf they are held.

**Student Activity** – used to account for money relating to student activities. The student organizations approve how these monies are to be spent.

**Early Education Center CACFP** – Used to account for revenue and expenses for the Early Education Center’s federal child food program.

**Hutchinson Recreation Commission** – The District receives the Commission’s tax revenue from the county treasurer. This money is then remitted to the Commission.

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2015**

	<u>Student Activity Fund</u>	<u>Early Education Center</u>	<u>Hutchinson Recreation Commission</u>	<u>Totals</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 83,804	\$ 118	\$ -	\$ 83,922
<b>Liabilities:</b>				
Due to others	\$ 83,804	\$ 118	\$ -	\$ 83,922



**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2015**

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<b>Student Activity Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 90,228	\$ 204,692	\$ 211,116	\$ 83,804
<b>Liabilities</b>				
Due to others	\$ 90,228	\$ 204,692	\$ 211,116	\$ 83,804
<b>Early Education Center - CACFP Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 9,795	\$ 9,677	\$ 118
<b>Liabilities</b>				
Due to others	\$ -	\$ 9,795	\$ 9,677	\$ 118
<b>Hutchinson Recreation Commission</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 48,454	\$ 48,454	\$ -
<b>Liabilities</b>				
Due to others	\$ -	\$ 48,454	\$ 48,454	\$ -
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 90,228	\$ 262,941	\$ 269,247	\$ 83,922
<b>Liabilities</b>				
Due to others	\$ 90,228	\$ 262,941	\$ 269,247	\$ 83,922

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Hutchinson Recreation Commission Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 44,346	\$ 44,346	\$ 38,757	\$ (5,589)
Other	18,000	18,000	-	(18,000)
Total revenue	62,346	62,346	38,757	(23,589)
Expenditures and encumbrances:				
Community service operations	60,000	60,000	38,757	(21,243)
Revenue over (under) expenditures and encumbrances	2,346	2,346	-	(2,346)
Unencumbered cash, beginning of year	-	-	-	-
Unencumbered cash, end of year	<u>\$ 2,346</u>	<u>\$ 2,346</u>	<u>\$ -</u>	<u>\$ (2,346)</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ -	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
GAAP fund balance, end of year			<u>\$ -</u>	

**HUTCHINSON PUBLIC SCHOOLS  
UNIFIED SCHOOL DISTRICT NO. 308  
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Budgetary Basis  
Hutchinson Recreation Commission Employee Benefits and Special Liability Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 11,109	\$ 11,109	\$ 9,698	\$ (1,411)
Other	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenue	16,109	16,109	9,698	(6,411)
Expenditures and encumbrances:				
Community service operations	<u>15,000</u>	<u>15,000</u>	<u>9,698</u>	<u>(5,302)</u>
Revenue over (under) expenditures and encumbrances	1,109	1,109	-	(1,109)
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 1,109</u>	<u>\$ 1,109</u>	<u>\$ -</u>	<u>\$ (1,109)</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ -	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ -</u>	

## **SINGLE AUDIT SECTION**

**Hutchinson Public Schools  
Unified School District No. 308**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Disbursements/ Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education			
Title I - 2014	84.010	DO308	\$ 203,486
Title I - 2015	84.010	DO308	1,111,915
Title I - Delinquent - 2014	84.010	DO308	12,145
Title I - Delinquent - 2015	84.010	DO308	86,074
Title I School Improvement Fund FY14	84.010	DO308	11,977
Title I School Improvement Fund FY15	84.010	DO308	28,103
Special Education - IDEA Part B - Discretionary 2014	84.027	DO308	20,665
Special Education - IDEA Part B - Discretionary 2015	84.027	DO308	28,512
Special Education - VIB - Part B - 2015	84.027	DO308	1,090,262
Perkins - Program Improvement	84.048	DO308	90,399
Special Education - IDEA Preschool - 2015	84.173	DO308	66,283
Title III - FY14	84.365	DO308	6,437
Title III - FY15	84.365	DO308	20,263
Title IIA - FY14	84.367	DO308	55,517
Title IIA - FY15	84.367	DO308	222,957
Total Department of Education			<u>3,054,995</u>
<u>U.S. Department of Health and Human Services</u>			
Head Start FY14	93.600	07CH7076/01	2,598,758
Total Department of Health and Human Services			<u>2,598,758</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education			
School Breakfast Program	10.553	DO308	412,889
National School Lunch Program	10.555	DO308	1,577,224
Child and Adult Care Food Program	10.558	DO308	134,752
Summer Food Service Program for Children	10.559	DO308	75,585
Fresh Fruit and Vegetable	10.582	DO308	78,411
Child Nutrition Discretionary Grant	10.579	DO308	-
Total Department of Agriculture			<u>2,278,861</u>
Total Federal Assistance Expended			<u>\$ 7,932,614</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented in accordance with the cash basis and budget laws of the State of Kansas. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - The accompanying schedule of expenditures for the above federal programs are coded to the following funds. Note that Head Start's food service expenditures are coded above with the U.S. Department of Agriculture expenditures, but are included in the Federal Grant Funds for budgetary basis schedules.

Federal Grants Fund	\$ 4,448,031
Food Service Fund	2,278,861
Special Education Fund	1,205,722
Total	<u>\$ 7,932,614</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Unified School District Number 308  
Hutchinson, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unified School District Number 308, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll Janzen Hawk & Loyd, LLC

November 20, 2015



SWINDOLL  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
Unified School District Number 308  
Hutchinson, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the Unified School District Number 308's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



## Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll Janzen Hawk & Loyd, LLC

November 20, 2015

**Hutchinson Public Schools  
Unified School District No. 308**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Unified School District Number 308, Hutchinson, Kansas.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Unified School District Number 308, Hutchinson, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Unified School District Number 308, Hutchinson, Kansas expressed an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

	<u>CFDA No.</u>
Title I – Grants to Local Education Agencies	84.010
Special Education Cluster (IDEA):	
Special Education – Grants to States (IDEA, Part B)	84.027
Special Education – Preschool Grants (IDEA Preschool)	84.173
8. The threshold for distinguishing Types A and B program was \$300,000.
9. Unified School District Number 308, Hutchinson, Kansas was determined to be a low-risk auditee.

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

There were no reportable findings.

**FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**U.S. DEPARTMENT OF EDUCATION**

Title I – Grants for Local Education Agencies CFDA number 84.010

There were no reportable findings.

Special Education Cluster (IDEA) CFDA numbers 84.027 and 84.173

There were no reportable findings.

**Hutchinson Public Schools  
Unified School District No. 308**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2015**

**FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

**U.S. DEPARTMENT OF AGRICULTURE**

Child Nutrition Cluster CFDA numbers 10.553, 10.555, and 10.559

There were no reportable findings for the year ended June 30, 2014.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Head Start CFDA number 93.600

There were no reportable findings for the year ended June 30, 2014.